

# **Guidance to the California Climate Action Registry: General Reporting Protocol**

## **COMMITTEE REPORT**

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Gray Davis, Governor

# CALIFORNIA ENERGY COMMISSION

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## Abbreviations

AGO	Australian Greenhouse Office
API	American Petroleum Institute
BP	British Petroleum
Btu	British Thermal Unit
CARB	California Air Resources Board
CCEEB	California Council for Environmental and Economic Balance
CEC	California Energy Commission
CEERT	Center for Energy Efficiency and Renewable Technologies
CEMS	Continuous Emissions Monitoring Systems
CHP	combined heat and power
CH <sub>4</sub>	methane
CO	carbon monoxide
COP	coefficient of performance
CO <sub>2</sub>	carbon dioxide
CO <sub>2</sub> Eq.	carbon dioxide equivalent
DEFRA	Department for Environment, Food & Rural Affairs
EIA	Energy Information Administration
EIIP	Emissions Inventory Improvement Program
EPA	U.S. Environmental Protection Agency
g	gram
GCV	gross caloric value
GHG	greenhouse gas
GTI	Gas Technology Institute
GVWR	gross vehicle weight rating
GWP	global warming potential
ha	hectare
HDV	heavy duty vehicle
HFC	hydrofluorocarbon
HHV	high heating value
ID	identification
IPCC	Intergovernmental Panel on Climate Change
IPP	independent power producer
kg	kilogram
kWh	kilowatt-hour
lb	pound
LBNL	Lawrence Berkeley National Laboratory
LDT	light duty truck
LHV	low heating value
LPG	liquefied petroleum gas
Mcf	thousand cubic feet
MMBtu	one million British Thermal Units
MW	megawatt
NCV	net caloric value
NO <sub>x</sub>	oxides of nitrogen



## **Abbreviations (con't)**

NRDC	Natural Resources Defense Council
N <sub>2</sub> O	nitrous oxide
PFC	perfluorocarbon
SAIC	Science Applications International Corporation
SB 527	Senate Bill 527
SF <sub>6</sub>	sulfur hexafluoride
SMUD	Sacramento Municipal Utility District
T&D	transmission and distribution
UK	United Kingdom
UNFCCC	United Nations Framework Convention on Climate Change
WBCSD	World Business Council for Sustainable Development
WRI	World Resources Institute

## **Executive Summary**

California Senate Bill 527 (Chapter 769, Statutes of 2001), signed into law in October 2001, defines the roles and responsibilities of the California Climate Action Registry (Registry). The Registry will allow organizations to voluntarily report baseline and annual greenhouse gas emissions results. If organizations submit results certified in accordance with the provisions of the bill, then the state will use its best efforts so that these organizations will receive appropriate consideration under any future international, federal, or state regulatory regime related to greenhouse gas emissions.

Senate Bill 527 directs the California Energy Commission (Energy Commission) to provide guidance to the Registry on procedures and protocols for reporting greenhouse gas emissions. The bill specifies many details regarding how Registry participants should report. For example, the bill includes three requirements:

1. that participants register all emissions for their individual organization, as opposed to registering emissions for only specific projects,
2. that if a participant divests or acquires other business operations then the participant's emissions baseline should be adjusted accordingly, and
3. that participants submit emissions results to the Registry that can be certified.

Nevertheless, Senate Bill 527 is silent on many of the details of how Registry reporting should occur. This report provides guidance on these reporting details.

This report is organized into five chapters that reflect the steps Registry participants will take in reporting their emissions:

- Chapter 1, Introduction,
- Chapter 2, Reporting Boundaries,
- Chapter 3, Emissions Estimation,
- Chapter 4, Emissions Reporting, and
- Chapter 5, Certification.

Each of the chapters is structured similarly; each describes guidance on an issue and follows with a discussion. At the beginning of each discussion, relevant passages of Senate Bill 527 that address specific issues are presented.

### **Key Questions and Issues**

As greenhouse gas emissions inventorying is still an emerging area, standards for conducting inventories at the entity level have not yet been established. Therefore, a variety of approaches are possible on issues involved in reporting GHG emissions. The report recommends the following approaches to the key questions:

1. **How should organizations account for emissions from sources that they only partially own or control?** Consistent with the language of Senate Bill 527, the guidance recommends that an organization report all of the emissions for a source over which it has management control—unless, in the case of joint ownership, the owners decide to report on a pro rata basis (e.g., by ownership share).
2. **Should the Registry require that participants only use a standard set of emission factors in calculating their emissions?** The guidance recommends a set of emission factors that are consistent with the ones California uses in its statewide inventory of greenhouse gas emissions. However, to provide greater flexibility in reporting, this set of emission factors is not mandatory. Registry participants may use alternative sets of emission factors, listed in this report, and participants are encouraged to use the most accurate fuel or source-specific factors for their particular emission sources.
3. **How should de minimis reporting levels be set?** De minimis emissions are those that, when summed across all applicable sources by greenhouse gas of a particular entity, fall below a certain percentage threshold. The recommended threshold for de minimis emissions is 5 percent of the participant's total emissions. Defining de minimis in this way ensures that both large and small participants will report substantially all of their emissions, at a minimum 95 percent of all their applicable greenhouse gas emissions. To provide maximum flexibility to Registry participants, the definition of emissions sources and greenhouse gases that may fall within the de minimis category is left to the discretion of the Registry participants.
4. **What level of reporting detail should the Registry require?** The guidance recommends that a participant submit to the Registry the total emissions for each emissions category for each of a participant's facilities for each reported greenhouse gas. It also recommends a participant report emissions factors used in calculating emissions and a description of the emissions estimation methodologies to the Registry. The purpose of this is to be consistent with Registry objectives to maintain high quality emissions results, as well as to have the emissions results and methodologies certified.
5. **What accommodation should the Registry provide the different participant certification categories?** The guidance recommends accommodation in the certification process for three categories of participants. The participant categories are based on size and level of complexity of the participant and the method by which they provide data to the Registry. In all cases, the certification process will include a review of both the reporting process and underlying data. The accommodations differ, however in the amount of effort required and the need for site visits to confirm the results. The intent of having different accommodations is to balance the cost of certification (particularly for participants with relatively small operations and low emissions) with the need for the Registry to have data that meets a minimum quality standard.

The answers to these key questions, and more generally the material contained in this report, draw on a wide range of published sources, both foreign and domestic. Comments from a number of parties including the Registry, California Air Resources Board, U.S. Environmental Protection Agency, and a self-selected work group were considered by the Energy Commission staff, and the Energy Commission's contractor, Arthur D. Little, Inc., in preparing this report.

## 1.0 Introduction

This report provides guidance to the California Climate Action Registry (Registry) on recommended procedures for reporting greenhouse gas emissions (GHG). These reporting procedures will comprise a reporting protocol by which Registry participants can report their GHGs to the Registry. The Registry may adopt, at its discretion, a reporting protocol based on these recommendations.

This report is divided into four main chapters, which are the steps that Registry participants use in reporting emissions:

- Chapter 2, Reporting Boundaries,
- Chapter 3, Emissions Estimation,
- Chapter 4, Emissions Reporting, and
- Chapter 5, Certification.

References and several appendices follow these chapters.

Upon joining the Registry, participants are required to determine exactly what the boundaries of their emissions reporting will be before they begin to estimate their emissions. Once they have made their boundary determinations, they will estimate their emissions and report them to the Registry. The final step in the process is to have their reported results certified. Accommodation for participant certification categories are described in this report; however, the certification chapter of this report is not a recommendation for a certification protocol. The California Energy Commission (Energy Commission) has provided recommendations for a certification protocol in *Guidance to the California Climate Action Registry: Certification Protocol* (Publication #500-02-030F).

Each chapter of this report is structured similarly. It begins with a description of the guidance on an issue and is followed by a discussion. At the beginning of each discussion, passages of SB 527 that address specific reporting issues are presented. These are followed by a discussion of the issue and the rationale for the guidance that is presented.

The main chapters of this report are followed by a list of references and several appendices. Appendix A presents comparison tables of U.S., foreign, and California GHG and air pollution programs that have addressed questions similar to the Registry. Appendix B is a review of GHG emission estimation methodologies used in developing the statewide California inventory—specifically for non-combustion emissions sources. It is included because SB 527 requires that, to the extent practicable, the methods used for Registry reporting be consistent with those used in the statewide inventory. Appendix C provides examples of estimation methods that may be incorporated into future industry-specific protocols.

While participants are encouraged to report their process and fugitive emissions from their operations using the most applicable methodologies for their industry, the sample calculations in Appendix C may provide useful guidance when attempting to estimate process and fugitive emissions. The examples are not intended to be exhaustive.

### **Background**

In October 2001, Governor Gray Davis signed Senate Bill 527 (SB 527) that defined the roles and responsibilities of the California Climate Action Registry (the Registry). The Registry will allow organizations to voluntarily report baseline and annual greenhouse gas (GHG) emissions results.

SB 527 recognizes the interest of the state to encourage voluntary actions to achieve economically beneficial reductions of GHG emissions. Organizations that make use of this opportunity and submit results certified in accordance with the provisions of the bill receive the state's commitment to use its best efforts to ensure that participating organizations receive appropriate consideration under any future international, federal, or state regulatory regime related to GHG emissions.

SB 527 directs the Energy Commission to provide guidance to the Registry on procedures and protocols for reporting GHG emissions. Additionally, the Energy Commission is to provide guidance for a certification protocol and for a process to qualify providers of technical assistance and certification services related to the Registry. Also, SB 527 specifies that the Energy Commission and Registry will develop industry-specific reporting protocols.

### **Report Approach**

Many provisions of SB 527 specify how Registry reporting is to be conducted. As provided by the bill, GHG emissions reporting to the Registry will include the following:

- Be based on entity-wide annual reporting, not reporting for individual projects.
- Apply to emissions in California and allow for reporting United States emissions.
- Include emissions of carbon dioxide during the first three years of participation and emissions of all of the GHGs covered under the Kyoto Protocol in subsequent years.
- Allow baselines to be set as far back as 1990, if sufficient data are available.
- Require baseline adjustments for certain changes in the structure of an organization.
- Be certified by an independent state and Registry approved third-party.

While specific in many respects, SB 527 leaves many details of reporting to be defined by the reporting protocol. This report provides guidance on these reporting details.

The approaches described in this guidance draw on a wide range of sources, both foreign and domestic. The experience and recommendations of existing GHG reporting programs have been drawn heavily upon in formulating the recommendations contained in this report, in particular the World Resources Institute/World Business Council for

Sustainable Development (WRI/WBCSD) GHG protocol (WRI, 2001), a multi-stakeholder effort to develop a standardized approach to the voluntary reporting of GHG emissions.

In preparing this report, the Energy Commission and its contractor considered comments from a number of parties including the Registry, California Air Resources Board (CARB), U.S. Environmental Protection Agency (EPA), and a self-selected work group. The work group, which includes industry, environmental groups, government agencies, and the general public, has provided comments on "straw proposals" for portions of a general protocol. However, the material contained in this guidance does not reflect fully the views of any single party, nor does it necessarily reflect a consensus view on particular issues.

## 2.0 Reporting Boundaries

The first step in conducting an emissions inventory is to establish boundaries. This means determining which sources of emissions are to be included in a participant's emissions report based on the participant's organizational structure, its operations, and the locations of its emissions sources. For many Registry participants, particularly firms that are wholly-owned entities operating entirely within the State of California, establishing reporting boundaries will be straightforward. For participants whose operations consist of jointly-owned entities and those with operations outside of California, the process will be more involved. This chapter gives guidance to participants on how to set the boundaries of their inventory for reporting to the Registry.

Participants must identify which of their emissions will be reported to the Registry. First, they must define their reporting entity by establishing its **organizational boundaries**, including how to treat partially owned or operated assets. Next, they must determine their **operational boundaries**—those activities that should be included in their emissions inventory. Operational boundaries are determined by the nature of the operations that are required to be reported and by whether the magnitude of the emissions are large enough to include them in the inventory. Finally, participants must determine the **geographic boundaries** that apply to their emissions whether they are reporting emissions for California only or for both California and the entire United States.

### 2.1 Organizational Boundaries

The basic unit of participation in the Registry is an entity in its entirety, such as a corporation or other legally constituted body, any city or county, and each state government agency. Reporting for individual facilities or projects is not allowed unless they are included as part of an entity's total emissions reporting. Any entity that conducts business activities in the State of California may report to the Registry.

The determination of organizational boundaries for reporting to the Registry is straightforward for organizations that wholly own and fully control all of their GHG emissions sources. These organizations simply report all of their material emissions to the Registry.

#### 2.1.1 Partial Ownership and Reporting by Management Control

For facilities that are owned or controlled by more than one organization, determining the organizational boundary is more complicated. The organizational boundary required for Registry reporting is based on the management control of the facility, except as described below. The management control reporting requirements are consistent with the control-based approach of the WRI/WBCSD GHG protocol (WRI, 2001).

**Management control** is defined as the ability of an entity to govern the operating policies of another entity or facility so as to obtain benefits from its activities. In the trivial case, entities that are wholly owned by another entity are under management



control. Typically, if an entity owns 50 percent or more of the voting interests of another entity, they have financial control over that entity. In the case of financial control, this implies that there is management control. Management control is also possible for entities that own less than 50 percent of another entity if they fulfill the requirements of dominant influence. Such dominant influence can be evidenced by:

- Controlling more than one half of the voting rights by virtue of an agreement with other investors;
- Governing the financial and operating policies of the other enterprise under a statute or an agreement;
- Appointing or removing the majority of the members of the board of directors; or
- Casting the majority of votes at a meeting of the board of directors.

Participants that have management control over another entity, wholly owned, financial influence or dominant influence, will report 100 percent of the emissions of that entity.

In the case of joint control, that is, 50 percent ownership by two entities, no individual party has management control because no individual party has dominant interest. Participants that have joint control over a facility will report by equity share (i.e. economic interest and/or benefit), in this case, 50 percent of their emissions.

Participants with 20 to 50 percent of the voting interests that do not have dominant influence are considered to have significant influence. Participants holding significant influence over a facility would not report their relevant emissions. Similarly, if a participant owns less than a 20 percent interest in a facility, that is, they are a non-controlling party, they too, would not report their relevant emissions.

If a participant has management control of a facility at a level of significant influence or less, and wishes to report their emissions, they have the option of reporting on a pro rata basis as described in Section 2.1.3.

The reporting requirements under management control are summarized in Table 2.1 below.

**Table 2.1 Reporting Requirements Under Management Control.**

<b><i>Level of Control</i></b>	<b><i>Percent of Ownership</i></b>	<b><i>Percent of GHG Emissions to Report</i></b>
Wholly owned	100%	100%
Not wholly owned but controlled (Financial control)	More than 50%	100%
Not wholly owned but controlled (Dominant Influence)	Less than 50%, but Satisfies the criteria of Dominant influence,	100%
Jointly controlled	50%	50%
Significant influence	More than 20%, And less than 50%	0%
Non-controlled	Less than 20%	0%

### **2.1.2 Partial Ownership Issues**

The issue of partial ownership may raise a number of questions among participants including:

#### *Operating License Considerations*

For some participants, such as those in the petroleum industry, it is common to have joint ownership with a single operator. In some cases, holding the operating license also means having management control. However, holding the operating license is not a sufficient criterion for being able to direct the operating policies of an entity or facility. Therefore the criteria listed above for dominant influence should be used to determine whether a participant has management control, not that the participant holds the operating license.

#### *Non-incorporated Operations*

The definition of ‘management control’ applies to incorporated as well as to non-incorporated operations. (Incorporated means that the operation has been established as a

legal business corporation.) Thus, GHG emissions have to be reported from incorporated as well as from non-incorporated entities or facilities.

### *Subsidiaries*

Subsidiaries that are corporations or other legally constituted bodies may participate in the Registry as separate participants. If the parent company of a subsidiary is a Registry participant, the parent company should report the emissions of all subsidiaries in accordance with the management control scheme illustrated in Table 2.1. Since by definition, a subsidiary company is one in which a parent corporation owns more than 50 percent of the stock (and thus would typically have majority voting rights), the parent company would typically report all of the subsidiary's emissions. Corporations that report baselines and annual results as subsidiaries must clearly define the parent corporation to the Registry. The parent company itself need not participate in the Registry merely because one or more of its subsidiaries chooses to participate.

### *Holding Companies*

Corporations that are made up of several other corporations would report to the Registry following the same management control approach described above for joint ventures and subsidiaries. If the parent corporation controls several subsidiaries, it would report the total emission from the subsidiaries, and at its option the emissions of each subsidiary separately.

## **2.1.3 Partial Ownership and Pro Rata Reporting**

There is an exception to reporting by management control. In the case of partial or joint ownership, that is, when a single entity is owned by two or more entities, whereby ownership can range from 1 to 99 percent, the owners may decide to report emissions on a **pro rata basis**. By reporting on a pro rata basis, the entity with management control will not be required to report all of the emissions of a facility. Likewise, the entities that do not have management control of a facility will not be exempt from reporting the facility's emissions. This does not mean that all of the owners of a jointly held operation must report to the Registry, but rather that the owners who choose to report to the Registry will have to collectively decide to report on a pro rata basis. (Owners who are not Registry participants would not be required to report to the Registry in any case.)

The pro rata basis for emissions reporting will most commonly be based on equity share of ownership as illustrated in Table 2.2. Other pro rata methods may be used, however. This could include, for example, emissions reporting based on share of production output, or some other method based on the contractual agreements of the owners. Regardless of the method selected for pro rata formulation, owners that are Registry participants should agree to the method. The pro rata method must ensure that all applicable emissions of the participants are reported and that there is no potential for the non-reporting or double counting of participant emissions. Furthermore, once established, the pro rata method of reporting must be continued in subsequent annual reports. Any modifications to a pro

rata method that result in changes to emissions reported and changes to a participant's baseline must be clearly identified by the participant and approved by the Registry.

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**Table 2.2 Reporting Requirements Based on Equity Share.**

<b><i>Level of Ownership</i></b>	<b><i>Percent of GHG Emissions to Report</i></b>
Wholly owned	100%
Partially owned, equal to or more than 20% ownership	By Equity Share
Partially owned, less than 20% ownership	0%

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#### **2.1.4 Organizational Boundaries Examples**

The following are organizational boundary examples that contrast reporting by management control with reporting by equity share.

Case 1: Trivial case – Company A wholly owns the facility. Company A reports 100 percent of the emissions for both cases.

<b>Participant</b>	<b>Facility</b>	<b>Management Control Reporting Requirements</b>	<b>Pro Rata (Equity Share) Reporting Requirements</b>
Company A	Wholly owned by Company A (100% ownership & voting interest)	100%	Not Applicable
Company B	No ownership by Company B (0% ownership & voting interest)	0%	Not Applicable

Case 2: Company A has 60 percent ownership of the facility, and has management control based on financial influence. Company B has 40 percent ownership of the facility, and does not have management control.

<b>Participant</b>	<b>Facility</b>	<b>Management Control Reporting Requirements</b>	<b>Pro Rata (Equity Share) Reporting Requirements</b>
Company A	Not wholly owned by Company A, but controlled – financial influence. (60% ownership & voting interest)	100%	60%
Company B	Not wholly owned by Company B, not controlled – significant influence (40% ownership & voting interest)	0%	40%

Case 3: Company A has 60 percent ownership of the facility and a 45 percent voting interest. Company B has 40 percent ownership of the facility and a 55 percent voting interest. Company B has management control based on dominant influence.

<b>Participant</b>	<b>Facility</b>	<b>Management Control Reporting Requirements</b>	<b>Pro Rata (Equity Share) Reporting Requirements</b>
Company A	Not wholly owned by Company A. (60% ownership & 45% voting interest)	0%	60%
Company B	Not wholly owned by Company B, controlled based on dominant influence (40% ownership & 55% voting interest)	100%	40%

Case 4: Company A has 50 percent ownership of the facility, and likewise, Company B has 50 percent ownership of the facility. Therefore, both companies jointly control the facility.

<b>Participant</b>	<b>Facility</b>	<b>Management Control Reporting Requirements</b>	<b>Pro Rata (Equity Share) Reporting Requirements</b>
Company A	Not wholly owned by Company A, but jointly controlled – significant influence. (50% ownership & voting interest)	50%	50%
Company B	Not wholly owned by Company B, but jointly controlled – significant influence (50% ownership & voting interest)	50%	50%

Case 5: Company A has 55 percent ownership of the facility, Company B has 30 percent ownership of the facility, and Company C has 15 percent ownership. The three companies jointly own the facility. Under the management control scheme, Company A reports 100 percent of the emissions. For reporting based on management control, Company A and Company B agree to report based on equity share. Under the provisions of the protocol, Company C elects to not report based on ownership below 20 percent of value of the facility.

<b>Participant</b>	<b>Facility</b>	<b>Management Control Reporting Requirements</b>	<b>Pro Rata (Equity Share) Reporting Requirements</b>
Company A	Jointly owned by Company A – dominant influence. (55% ownership & voting interest)	100%	55%
Company B	Jointly owned by Company B – significant influence (30% ownership & voting interest)	0%	30%
Company C	Jointly owned by Company C – no influence (15% ownership & voting interest)	0%	0%

## Discussion

The following sections of the SB 527 are directly applicable to the Organizational Boundaries section of the protocol:

*SEC. 11. 42840*

*(d) The basic unit of participation in the registry shall be an entity in its entirety such as a corporation or other legally constituted body, any city or county, and each state government agency. The registry shall not record emissions baselines and reductions for individual facilities or projects, except to the extent they are included in an entity's emissions reporting.*

*(1) Corporations may report emissions baselines and annual emissions results from subsidiaries if the parent corporation is clearly defined.*

*SEC. 11. 42840*

*(b)(1) Participants shall report direct emissions and indirect emissions separately. Direct emissions are those emissions from applicable sources that are under management control of a participating entity. . . .*

*SEC. 11. 42840*

*(b)(3) In cases of joint ownership, emissions are reported by the managing entity, unless the owners decide to report emissions on a pro rata basis.*

SB 527 refers to reporting by management control in the context of defining direct emissions. The implication of this definition is that if a participant does not have management control of a facility, it does not have to report any direct emissions from that facility. In common usage, such as the WRI/WBCSD GHG protocol (WRI, 2001), direct emissions are not limited to facilities where a single party has management control. Those facilities where multiple parties have equity share, but none has management control, also have direct emissions.

SB 527 does not provide a definition of management control. Therefore, the definition of management control adopted for Registry reporting is based on the WRI/WBCSD GHG protocol (WRI, 2001) formulation of management control reporting, in which the reporting entity reports:

- 100 percent of an entity's emissions for wholly owned entities,
- 100 percent of an entity's emissions for controlled (both financial and dominant influence) but not wholly owned entities,
- Emissions by equity share for jointly controlled entities that equally own 50 percent, and,
- 0 percent of an entity's emissions for the case when the participant in a joint ownership does not exert dominant influence or has less than 20 percent ownership.

As indicated by SB 527, there is allowance for alternative reporting in the case of joint ownership. For joint ownership, reporting may be done on a pro rata basis at the discretion of the owners. To avoid inconsistencies among owners in situations where more than one of the owners is a participant in the Registry, the requirement that “owners decide” to report on a pro rata basis is interpreted to mean that the owners collectively decide to report on this basis. For the purposes of the Registry, it is important that all of the participants, rather than all of the owners, agree on whether to report on a pro rata basis

It should be recognized that under the pro-rata reporting scheme there is the potential that significant emissions may not be reported. This would be the case if a Registry participant has less than a 20 percent voting interest in a large source of GHG emissions. In the case where all of the owners of the jointly controlled emitting entity were participants in the Registry, there is the possibility that none of the emissions would be recorded if all of the parties had less than a 20 percent voting interest.

Existing reporting programs are split on whether reporting should be done by equity share or by management control. (See Appendix A.) The WRI/WBCSD GHG protocol (WRI, 2001) recommends that entities report both ways. The EPA’s Climate Leaders program requires reporting by equity share, while the UK Emissions Trading Scheme is based on management control (DEFRA, 2001a). Other programs, such as the Australia Greenhouse Challenge allow the participants to define how emissions are handled from jointly held assets.

## **2.2 Operational Boundaries**

After a participant has determined its organizational boundaries in terms of the applicable operations that it owns or controls, it must then define its **operational boundaries**. This section describes how to determine operational boundaries for Registry participation.

### **2.2.1 Direct and Indirect Emissions**

Participants will report both direct emissions and specific indirect emissions by emissions source categories: stationary combustion, transportation, indirect, process and fugitive emissions. (See chapter 4 for additional details on the required level of reporting.)

**Direct emissions** are those emissions from applicable sources that are owned or controlled by an entity, including:

- Transportation emissions from vehicles owned or controlled by the participant and used for moving raw materials, finished products, supplies, or people,
- Emissions from onsite combustion for the production of heat, steam, or electricity,
- Process emissions, such as from the production of cement, adipic acid, and ammonia, as well as emission from agricultural processes, and
- Fugitive emissions such as methane leaks from pipeline systems and leaks of HFCs from air conditioning systems.



**Indirect GHG emissions** are emissions that occur because of a participant's actions, but are produced by sources owned or controlled by another entity (WRI, 2001). Examples of indirect emissions include emissions resulting from electricity use, business travel on commercial aircraft, or shipping products using a delivery service rather than the participant's own vehicles.

Registry reporting requires that emissions be reported only for the following three types of indirect emissions sources:

- Electricity imports,
- Steam imports, and
- Heating and cooling obtained from district heating/cooling plants.

In this context, "import" refers to the purchase by the participant of electricity, steam, heating, or cooling from outside of an entity's organizational boundary.

Registry participants are encouraged, but not required, to report other indirect GHG emissions. In addition to those noted above, these may include emissions from:

- Off site waste disposal, including transport,
- Employee commuting, including business travel,
- Production of purchased raw materials, including transport,
- Product use,
- Product disposal, and
- Outsourced activities and contracting.

(Participants should note that in the future the Energy Commission is planning to provide additional guidance on reporting optional indirect emissions sources. This protocol provides guidance only on the estimation of emissions from indirect emissions sources that are required to be included.)

Indirect emissions are reported separately from direct emissions in the Registry. Keeping indirect emissions separate from direct emissions serves two purposes. First, it reduces the potential for double counting when rolling-up total emissions for all participants, as the Registry will easily be able to leave out the indirect emissions reported. (Double counting would occur if two different participants were to report the same emissions.) Second, it also allows for the calculation of net emissions for entities that both import and export energy. The process for calculating indirect emissions is provided in Chapter 3, and guidance on reporting them is provided in Chapter 4.

### **2.2.2 Leased Facilities**

If participants operate in leased facilities or use leased equipment, the associated emissions should be included within their inventory boundary if the participant directly purchases the electricity, fuel, or raw materials that result in GHG emissions. If the

participant pays for electricity, fuel, or materials in operations that result in GHG emissions, it is presumed to have access to the data necessary to calculate emissions and should include the relevant emissions in its inventory. For example, emissions from industrial operations in a leased building, emissions from fuel consumed by leased vehicles, emissions from leased equipment, and electricity metered and paid for by the participant in a leased office building are to be reported by participants in the same manner as if the facilities, vehicles, equipment, or building were owned by the participant.

In the case of office or building space that is rented or leased, where the heating, electricity, cooling, or other utilities are paid for by the landlord and not separately metered for the participant, emissions associated with these items would not need to be reported by the participants. These emissions are to be reported by the landlord if the landlord participates in the Registry.

### **2.2.3 Materiality**

During the first three years after joining the Registry, the participant must report any material emissions of carbon dioxide (CO<sub>2</sub>). After their first three years of participation, participants must also report any material emissions of the following GHGs:

- Methane (CH<sub>4</sub>)
- Nitrous Oxide (N<sub>2</sub>O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulfur Hexafluoride (SF<sub>6</sub>)

Participants may choose to report these additional GHGs in the first three years.

"Material" means any emission of greenhouse gas that is not de minimis in quantity when summed up across all applicable sources of the participating entity. In order to provide a consistent definition across all applicable emissions sources for large emitters as well as small, de minimis emissions for any reporter are defined as:

Emissions of greenhouse gases either by source or by GHG which in total are less than 5 percent of the participant's total CO<sub>2</sub>-equivalent (CO<sub>2</sub> Eq.) emissions.

The percentage threshold would apply to California emissions for the purposes of California emissions reporting, and would apply to U.S. emissions for national reporting. By defining de minimis in this manner, all participants will be required to report at least 95 percent of their total emissions.

The selection of source types that are considered to be de minimis is for the participant to decide, and will vary from participant to participant. Fugitive GHG emissions can be expected to be de minimis for the vast majority of participants, for example, but will

likely be material for participants involved in the transportation and distribution of natural gas.

Similarly, the selection of GHGs that are considered to be de minimis is for the participant to decide. For example, many participants will choose to select non-CO<sub>2</sub> gases as de minimis since for many operations, non-CO<sub>2</sub> gas emissions are not significant.

Determining whether or not emissions are de minimis is the responsibility of the participant. Participants will have to demonstrate that all of the emissions they consider de minimis constitute less than 5 percent of total emissions when summed across their entire entity. The demonstration of de minimis may be made using the same procedures as for estimating emissions as described in Chapter 3, or using simplified procedures.

In most cases a participant will make an initial estimate of its total GHG inventory, including de minimis emissions, to determine the 5 percent threshold. The estimates of de minimis emissions may be in the form of rough upper bounds, rather than more precise estimates (since the amounts may be insignificant even as upper bounds). After determining the 5 percent threshold, a participant will then be able to exclude from reporting the selected de minimis emissions that it had originally included in the calculation of its total emissions inventory.

Or, a participant may use an alternative method to demonstrate that emissions are de minimis. For example, for participants whose emissions come only from electricity and fuel consumption, it would be sufficient to show that the emission factors for methane and nitrous oxide, when multiplied by their global warming potentials and added together are less than 5 percent of the corresponding emission factor for carbon dioxide. Assuming the participant deemed no other type of emissions to be de minimis, the total de minimis emissions would be less than 5 percent of the total.

As described above, participants will have to demonstrate that the emissions they consider de minimis truly are de minimis when establishing their baseline or when beginning reporting. However, in reporting subsequent year emissions, they need only show that their operations have not changed enough to require a change in the sources they consider to be de minimis.

To incorporate and evaluate non-CO<sub>2</sub> gases in the participant's total GHG emissions inventory, the absolute tonnages of the emissions of these GHGs will need to be converted to CO<sub>2</sub> Eq.. To do this, multiply the absolute tonnages of a given GHG by the GHG's global warming potential (GWP). Table 2.3 lists the 100-year GWPs to be used to express emissions on a CO<sub>2</sub>-equivalent basis.

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**Table 2.3 Global Warming Potential (GWP) for Greenhouse Gases.**

<b>Gas</b>	<b>100-Year GWP</b>
CO <sub>2</sub>	1
CH <sub>4</sub>	21
N <sub>2</sub> O	310
HFC-23	11,700
HFC-125	2,800
HFC-134a	1,300
HFC-143a	3,800
HFC-152a	140
HFC-227ea	2,900
HFC-236fa	6,300
HFC-43-10mee	1,300
CF <sub>4</sub>	5,700
C <sub>2</sub> F <sub>6</sub>	11,900
C <sub>3</sub> F <sub>8</sub>	8,600
C <sub>4</sub> F <sub>10</sub>	8,600
C <sub>5</sub> F <sub>12</sub>	8,900
C <sub>6</sub> F <sub>14</sub>	9,000
SF <sub>6</sub>	23,900

Source: Intergovernmental Panel on Climate Change (IPCC) (1996). [Note: The 1996 GWPs are used for reasons of consistency with national reporting to the United Nations Framework Convention on Climate Change (UNFCCC).]

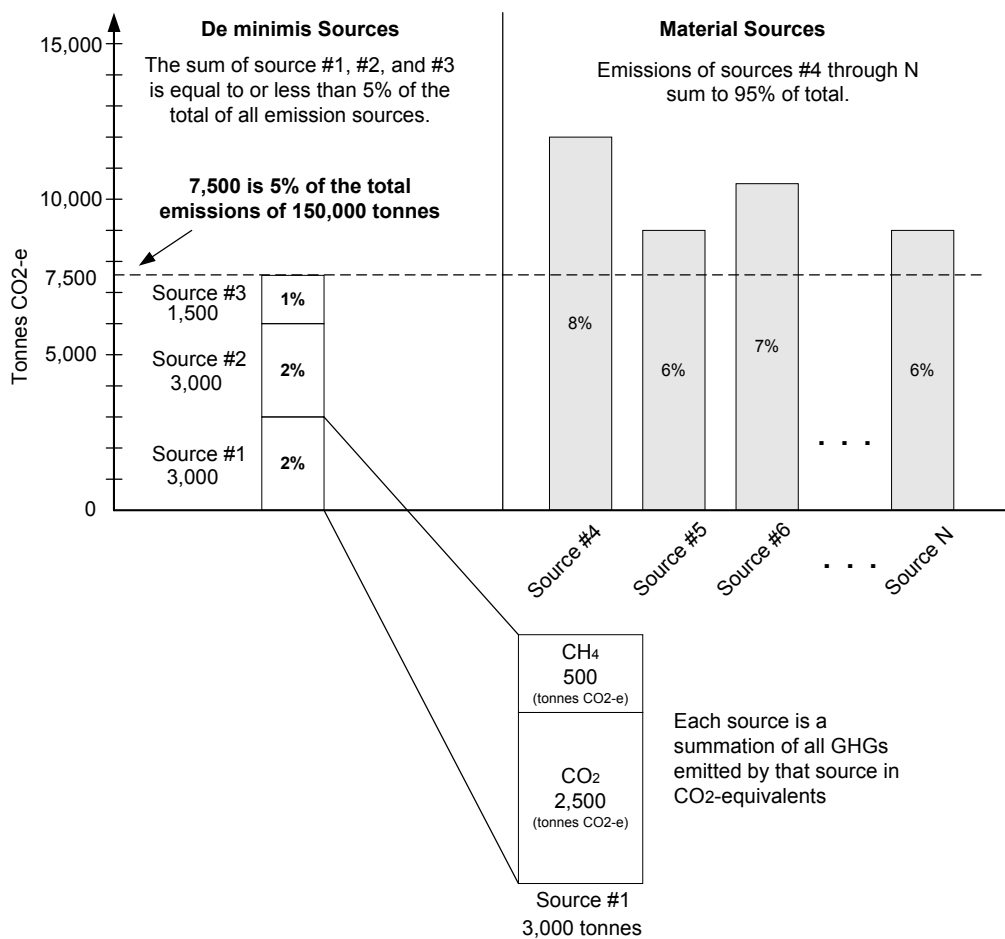
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## 2.2.4 Materiality Examples

The following three examples are presented to illustrate how a participant determines which of its sources are de minimis and which sources are material.

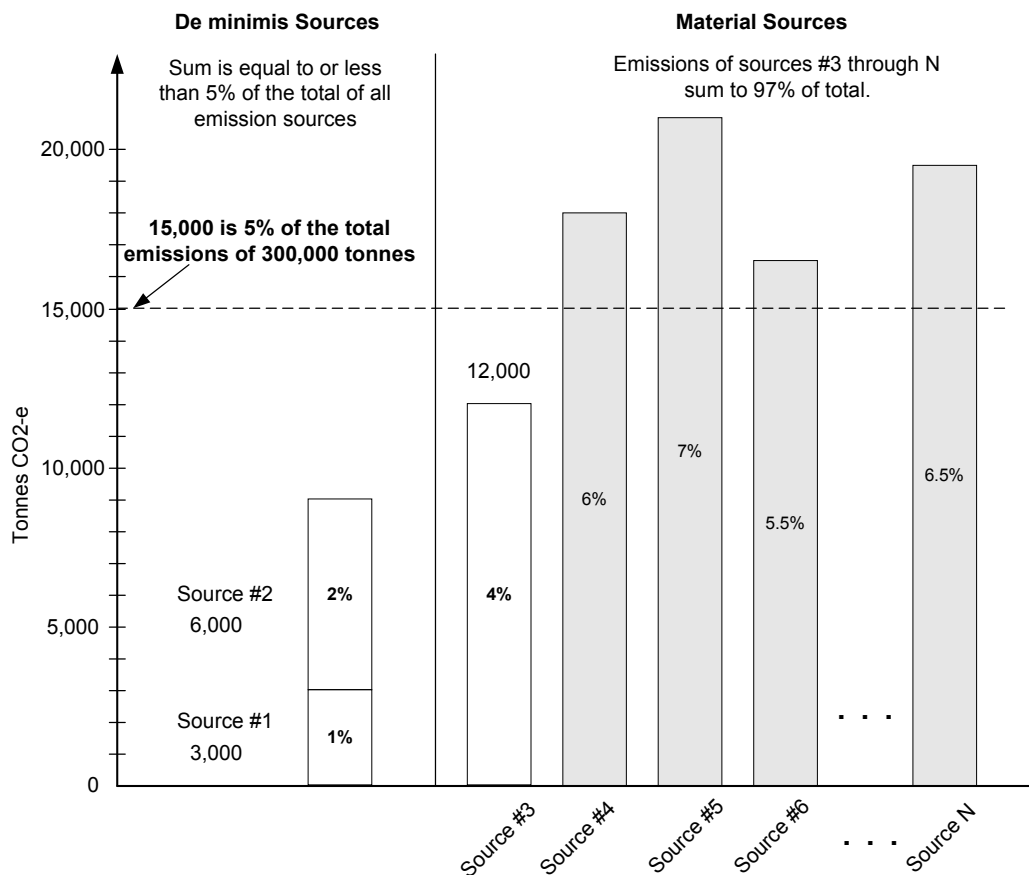
**Example 1:** A participant is to report GHG emissions from N number of sources (Figure 2.1). The participant has made an initial estimate of its total GHG inventory (including de minimis emissions) to determine the 5 percent threshold. The participant estimates that its total emissions inventory from all N sources is 150,000 tonnes CO<sub>2</sub> Eq.. Therefore, the 5 percent threshold is 7,500 tonnes CO<sub>2</sub> Eq.. The sum of the GHG emissions from Source #1, Source #2, and Source #3 are equal to 5 percent of the total emission or 7,500 tonnes. Therefore, the participant chooses not report emissions from Source #1, Source #2, and Source #3 as they are de minimis sources. Note: Each source is a summation of all GHGs combined for that source. For example, Source #1 is a combination of 2,500 (tonnes CO<sub>2</sub> Eq.) of CO<sub>2</sub> and 500 (tonnes CO<sub>2</sub> Eq.) of CH<sub>4</sub>, for a total of 3,000 (tonnes CO<sub>2</sub> Eq.).

**Figure 2.1: Materiality Example 1.**



**Example 2:** A participant is to report GHG emissions from N number of sources (Figure 2.2). The participant has estimated that its total GHG emissions inventory from all N sources, including de minimis sources, is 300,000 (tonnes CO<sub>2</sub> Eq.). Therefore, the 5 percent threshold is 15,000 (tonnes CO<sub>2</sub> Eq.) for this participant. There are three sources, Source #1, Source #2, and Source #3, below the 5 percent threshold. However, the participant may only classify a combination of sources as de minimis if their sum is equal to or below the 5 percent threshold. For example, the participant may choose to classify Source #1 and Source #2 as de minimis and therefore be required to include Source #3 in its annual report. Likewise, the participant could also have chosen to classify Source #1 and Source #3 as de minimis and therefore be required to include Source #2 in its annual report.

**Figure 2.2: Materiality Example 2.**



**Example 3:** A participant is to report GHG emissions from four sources. The participant has estimated that its total GHG emissions inventory from all four sources, including de minimis sources, is 100,000 (tonnes CO<sub>2</sub> Eq.). The emissions from the four sources are as follows:

	CO <sub>2</sub> Emissions (tonnes CO <sub>2</sub> Eq.)	CH <sub>4</sub> Emissions (tonnes CO <sub>2</sub> Eq.)	Total Source Emissions (tonnes CO <sub>2</sub> Eq.)
Source 1	39,900	100*	40,000
Source 2	29,900	100*	30,000
Source 3	19,900	100*	20,000
Source 4	3,000*	7,000	10,000
Total			100,000
De minimis Threshold			5,000

\*de minimis emissions

The 5 percent threshold is 5,000 (tonnes CO<sub>2</sub> Eq.) for this participant. All three sources, Source 1, Source 2, and Source 3, are material sources for CO<sub>2</sub> as they are above the 5 percent threshold. The CO<sub>2</sub> emissions from Source 4 are below the 5 percent threshold, and therefore can be considered de minimis. The CH<sub>4</sub> emissions from Source 1, Source 2, and Source 3 (in tonnes CO<sub>2</sub> Eq.) are also below the 5 percent threshold, and their sum, including the CO<sub>2</sub> emissions of Sources 4, is less than the threshold, therefore they can collectively be categorized as de minimis (100 + 100 + 100 + 3,000 = 3,300 CO<sub>2</sub> Eq.). The CH<sub>4</sub> emissions from Source 4 are above the threshold, therefore they are material, and must be included in the inventory.

## Discussion

The following sections of SB 527 are directly applicable to the operational boundaries definition of the protocol:

### *SEC. 11. 42840(b)*

*(1) Participants shall report direct emissions and indirect emissions separately. Direct emissions are those emissions from applicable sources that are under management control of a participating entity, including onsite combustion, fugitive noncombustion emissions, and vehicles owned and operated by the participant. Indirect emissions that are required to be reported by participants are those emissions embodied in net electricity and steam imports, including offsite steam generation and district heating and cooling. Participants are encouraged, but are not required, to report other indirect emissions based on guidance that is adopted by the registry.*

### *SEC. 11. 42840(b)*

*(4) Participants shall not be required to report emissions of any greenhouse gas that is de minimis in quantity, when summed up across all applicable sources of the participating entity. The State Energy Resources Conservation and*

*Development Commission shall recommend to the registry a definition of de minimis emissions that reasonably accounts for differences in the size, activities, and sources of direct and indirect baseline emissions of participants ... .*

*SEC. 11. 42840(c)*

*(1) All participants shall report direct and indirect carbon dioxide (CO<sub>2</sub>) emissions that are material to their operations.*

*(2) The registry shall also encourage participants to monitor and report emissions of the following gases: (A) Hydrofluorocarbons (HFCs), (B) Methane (CH<sub>4</sub>), (C) Oxides of nitrogen [sic] (N<sub>2</sub>O), (D) Perfluorocarbons (PFCs), (E) Sulfur hexafluoride (SF<sub>6</sub>).*

*(3) The report of information specified in paragraph (2) is optional for three years after a participant joins the registry. After participating in the registry for a total of three years, participants shall report emissions required by both paragraphs (1) and (2).*

There are two key aspects to operational boundaries: (1) direct and indirect emissions and (2) the reporting of material or non de minimis emissions thresholds. The legislation clearly prescribes which direct and indirect emissions are to be included in the Registry reporting. The additional description of indirect emissions in this section is based on the WRI/WBCSD GHG protocol (WRI, 2001).

SB 527 is silent on the issue of indirect emissions that result from the consumption of electricity or other utilities at leased facilities when these utilities are not separately metered or paid for by the participant. The approach recommended for the protocol is based on the belief that in this situation there is no meaningful way for participants to track emissions. While generalized factors for electricity consumption or space heating based on the amount of floor space occupied may be available, these would provide only a very rough estimate of emissions, and their use would not reflect any actions taken by participants to reduce energy consumption over time.

SB 527 provides no definition of de minimis, leaving it to the protocol development process. Because the intent of SB 527 is that participants report essentially all of their applicable emissions, it is appropriate to define de minimis in terms of an entity's total emissions. By common definition, 95 percent or more constitutes complete.

The proposed de minimis approach is consistent with the range of accuracy in GHG reporting that is targeted by various governmental and private inventory programs. Participants in the Australia Greenhouse Challenge Program are expected to have reported emissions that are within 10 percent accuracy, and results of those that have been verified indicate that many types of reporters can achieve much better accuracy than this. British Petroleum (BP) has set an accuracy threshold of 5 percent for its total direct corporate emissions.



Setting de minimis thresholds for individual sources or even groups of sources suffers from a significant drawback. In the United Kingdom (UK) Emissions Trading Scheme, a reporting threshold of 1 percent of the total entity emissions (or 10,000 tonnes CO<sub>2</sub> Eq., whichever is less) has been established (DEFRA, 2001b). When a group of point sources of similar type within a single facility is less than the threshold, the group of sources need not be included in the reporting. While 1 percent may appear to be a strict threshold, if an enterprise has multiple facilities (and defines its source groups narrowly) it may apply the threshold multiple times. The 1 percent threshold for a particular group of sources at one facility could translate into a much higher percentage when summed across the total reporting entity. To avoid this problem, the threshold for reporting to the Registry is based on the sum of all applicable sources compared to the total entity emissions.

The establishment of only absolute thresholds for reporting is commonly done for the reporting or regulation of conventional air pollutants. This approach is not appropriate for Registry reporting for two reasons. As previously noted, the goal of SB 527 is to report a complete picture of a participant's GHG emissions and thus the legislation requires reporting on an entity wide basis. Due to the large variability in the magnitude of emissions of potential participants, emissions that are a significant fraction of total emissions for smaller reporters will be an insignificant fraction for larger ones. Setting only an absolute threshold will either result in larger participants having to expend significant effort to report emissions that are insignificant or smaller participants not having to report emissions that may account for a large fraction—or all—of their emissions. An absolute reporting threshold is thus also contrary to the Registry goal of having wide participation among organizations both large and small.

The recommendation for this protocol is to set a de minimis threshold for reporting on a percentage basis of total emissions determined by a participant. However, under this scheme there is the potential for larger participants not to report large absolute sources. Setting the de minimis threshold as the lesser of a percentage and an absolute level avoids both problems relevant to each scheme. Larger participants will not have to report relatively small sources, but will have to report emissions from sources that may be small relative to their total emissions but large in absolute terms. As the Registry gains participants, the Energy Commission will have additional information necessary to determine appropriate absolute de minimis levels. The Energy Commission will consider a combined scheme of a percent and absolute de minimis in subsequent recommendations.

It has been recommended that de minimis reporting levels be set so that they are no higher than the accuracy of emissions estimates for particular source types. This approach was rejected because it has the perverse effect of rewarding participants for using less accurate methods to quantify emissions—the less accurate the emissions estimation approach, the greater the de minimis level would be. The relative accuracy of GHG emissions estimates will vary.

## 2.3 Geographic Boundaries

Registry participants are required to report emissions from all of their operations in California. Selective reporting of emissions only for specific facilities or projects within the state is not permitted.

Participants may, and are encouraged to, also register and report emissions nationwide. If a participant opts to report at the national level, the expanded reporting must meet all of the requirements established by the Registry for reporting California emissions. Those choosing to report at the national level will report both California and national emissions.

The requirement that participants report direct GHG emissions from mobile sources that they own or lease and operate raises the question of how emissions should be accounted for when sources travel across the borders of the state when they are reporting emissions only for California. For the purposes of reporting California emissions to the Registry, participants will report the total GHG emissions for mobile sources based in California regardless of whether the mobile sources travel outside of the state or not. Vehicles registered by the California Department of Motor Vehicles are considered to be based in California.

Total fuel purchases for the mobile sources should serve as the basis for estimating emissions for California, regardless of where the fuel is purchased. If the distance vehicles travel is used to estimate emissions, rather than the quantity of fuel consumed, then the total distance traveled by the vehicles based in California should be used to estimate emissions. An analogous approach would be used for estimating emissions at the national level; total emissions from vehicles based in the U.S. would be reported.

An example of an interstate trucking company that has a fleet based in California illustrates how reporting would work. Purchases of diesel fuel to operate the trucks owned by the participant are made both within the State of California and outside the state. The estimation of carbon dioxide emissions would be based on the total fuels purchased for the operation of the trucks in the fleet. The emissions of methane and nitrous oxide, if they were being reported by the participant (they are optional for the first three years of reporting), would be estimated based on the total distance traveled by the trucks, or by the total fuel they consumed. This same approach would apply to all types of mobile sources: on-road vehicles, off-road vehicles, locomotives, marine vessels, and aircraft. The specific methods to estimate emissions vary based on the type of mobile source and are detailed in Section 3.1.2.

## Discussion

The following sections of SB 527 are directly applicable to the geographical boundary definitions of the protocol:

*SEC 11 42840(d)*

*(2) Participants shall report emissions from all of their applicable sources in the state when they initially register.*

*(3) Participants may, and are encouraged to, at any time, register emissions from all applicable sources based in the United States, so long as this reporting meets all the other requirements established by this chapter. Those participants with emissions in other states that report California emissions only may not be able to receive equal consideration for their emissions records in future national or international regulatory regimes relating to greenhouse gas emissions. In addition, participants with operations outside of the United States are encouraged to register their total worldwide emissions baselines and annual emissions results. Within three years, the registry shall review and report to the Legislature with a recommendation on whether the registry should require, rather than encourage, participants to report all of their greenhouse gas emissions in the United States, not just California emissions.*

The language of SB 527 specifies that participants are to report all of their emissions within the state of California. It is not explicit about whether they should report California emissions separately if they choose to report emissions from all sources in the U.S.

Since it is unclear what form any future regulation of GHGs may take, to maximize the protection of participants, Registry reporting has been set up to keep Californian and U.S. emissions separate. For all participants, this will facilitate recognition of emissions and reductions in any programs that recognize only California emissions. The small additional effort in reporting at two geographic levels may be outweighed by the benefit of ensuring that they may receive protection for either their California emissions or total U.S. emissions.

SB 527 is silent on how emissions from mobile sources that cross state (or U.S.) boundaries are to be handled. For reasons of transparency and ease of calculation, emission estimates of mobile sources are to be based on fuel purchases for vehicles that are based in California. Because emissions are based on fuel purchases by the participant, data should be readily available and double counting would be minimized.

It should be recognized that the approach suggested for Registry reporting is inconsistent with the approach to geographic boundaries contained in programs to control conventional air pollutants in the state. The California Air Resources Board incentive program, for example, requires emission estimations to be based on the physical operation of mobile sources with specific geographical boundaries of the State of California (see Appendix B). Similarly, the Bay Area Air Quality Management District Emissions Credit Banking Program focuses on emissions that occur within the air quality management district, and may discount or disallow completely trades that result in emissions reductions outside of the district.

The California Air Resources Board (CARB) approach is appropriate for conventional air pollutants because it is aimed at addressing local or regional air pollution problems. Since the location of GHG emissions does not matter, this type of approach is

unnecessary for GHG emissions. Further, reporting of emissions at this level of detail would be extremely burdensome for participants, because it would require them to separate out in-state and out-of-state emissions. Therefore, the CARB approach was not recommended for Registry Reporting. It should also be noted that SB 527 does not restrict reporting of emissions from mobile sources to those emissions that occur when operating within the state of California.

Additional Registry reporting requirements for indirect transportation-based emissions are to be addressed by mid-year 2003 according to SB 527:

*SEC. 16. 42870 The State Energy Resources Conservation and Development Commission shall do all of the following:*

*(2) By July 1, 2003, recommend to the registry for possible adoption a procedure for defining and measuring transportation-based emissions associated with registry participants' activities, including, but not limited to, shipping of products and materials, employee commuting, and purchased air travel.*

These types of emissions would raise similar questions to the direct transportation emissions of participants. How these emissions should be counted will be described in future Registry guidance.

### **3.0 Emissions Estimation**

Once Registry participants determine the boundaries of their inventories, they will then have to quantify the emissions for the applicable sources that fall within those boundaries. Participants will calculate and report their emissions in mass terms for each GHG. These GHGs may include:

- Carbon dioxide (CO<sub>2</sub>),
- Methane (CH<sub>4</sub>),
- Nitrous Oxide (N<sub>2</sub>O),
- Hydrofluorocarbons (HFCs),
- Perfluorocarbons (PFCs), and
- Sulfur Hexafluoride (SF<sub>6</sub>)

During the first three years of participation in the Registry, participants are required to report material emissions only of CO<sub>2</sub>. After three years, they are required to report material emissions of each of these gases.

Greenhouse gas emissions are sometimes reported on a normalized basis instead of, or in addition to, reporting in absolute terms. Normalized emissions are emissions divided by some measure of output for the reporting entity. The specific output measure depends on the nature of the organization that is reporting and may range from physical units of output (e.g., pound of cement for a cement plant) to economic output (e.g., dollars of revenue for a diversified manufacturer). Reporting normalized emissions allows trends in the emissions intensity of an activity to be gauged by removing the effects of changing outputs on the results.

The Energy Commission will provide recommendations on output measures appropriate for a range of participants. For the purposes of this general protocol, emissions estimation and reporting guidance is provided only for reporting absolute emissions. This chapter describes procedures for estimating emissions from sources that may be found across a wide spectrum of participants.

### **3.1 Direct Combustion Emissions**

#### **3.1.1 Stationary Sources**

Stationary combustion sources can be defined as non-mobile sources emitting pollutants resulting from fuel combustion. Typical large stationary sources include power plants, refineries, and manufacturing facilities. Smaller stationary sources include commercial and residential furnaces. Most large stationary sources in California emitting criteria pollutants such as NO<sub>x</sub> and CO must receive permits to operate from their local air quality districts.

The recommended estimation procedures for direct greenhouse gas emissions from stationary combustion sources are based on the methods given in the Inventory of

California Greenhouse Gas Emissions and Sinks: 1990-1999 (CEC, 2001). In some cases, such as for the conversion of CH<sub>4</sub> and N<sub>2</sub>O emission factors from a net to a gross heating value basis, modifications were made to make the methods easier for participants to use.

Emission factors derived from the state inventory should be considered to be defaults for reporting to the Registry. If participants have not conducted inventories in the past, they should use the factors given in this protocol for calculating emissions. If they already conduct GHG emissions inventories that are based on factors from the sources listed below, they may continue to use those factors instead of the Registry factors. These sources include:

- U.S. EPA, Compilation of Air Pollutant Emission Factors AP-42, <http://www.epa.gov/ttn/chief/ap42>,
- U.S. EPA Emissions Inventory Improvement Program (EIIP) *Introduction to Estimating Greenhouse Gas Emissions: Volume VII* (EIIP, 1999), <http://www.epa.gov/ttn/chief/eiip/techreport/volume08/index.html>
- IPCC *Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories, Greenhouse Gas Inventories Reference Manual* (IPCC, 1996), and
- UK Department for Environment, Food, and Rural Affairs. *Guidelines for the Measurement and Reporting of Emissions in the UK Emissions Trading Scheme*. (DEFRA, 2001b).

If participants choose a source of emissions factors published outside of the United States, they will have to ensure that the emission factors are expressed on the same basis as their fuel consumption. Fuel heating values and emission factors in the U.S. are typically based on the higher heating value of the fuel, while in other countries they are based on the lower heating value. So long as participants are consistent in the basis of their emission factors and heating values and use the same set of emission factors consistently, they may use any of the sources listed above. In addition, if they have emission factors that are more accurate for the fuels and combustion devices in which they are burned, they may use those factors.

The following step-by-step instructions detail the recommended methodology for estimating emissions from stationary sources:

**Step 1: Identify all types of fuel directly combusted in your operations.**

For most participants, fuel will consist of natural gas, liquid petroleum fuels, and possibly coal. Petroleum fuels includes gasoline, distillate (diesel) fuel, aviation gasoline, jet fuel, kerosene, liquefied petroleum gas, and residual fuel oil.

**Step 2: Identify annual consumption of each fuel.**

This can be done by simply recording fuel purchase invoices and to calculate annual consumption. If you store fuel, use Equation 3.1 to determine your annual consumption.

Equation 3.1:

$$\text{Annual Consumption} = \text{Total Annual Fuel Purchases} \\ + \text{Amount Stored at Beginning of the Year} - \text{Amount Stored at Year End}$$

**Step 3: Select the appropriate emission factor for each fuel.**

Each fuel type has specific CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O emission factors. While for CO<sub>2</sub> emissions, these factors depend almost completely on the carbon content of the fuel alone, for CH<sub>4</sub> and N<sub>2</sub>O they depend on the type of device and the combustion conditions. Table 3.1 provides the CO<sub>2</sub> emission factors for the most common fuel types in kilograms of CO<sub>2</sub> per million Btu (MMBtu) and on a per gallon basis for the petroleum fuels. Table 3.1 also provides the fraction of carbon oxidized, which is used to estimate the post combustion CO<sub>2</sub> emissions. Unless participants have specific information to indicate that the carbon content of a listed fuel they burn differs from that indicated in Table 3.1, or unless they are using emission factors from one of the sources listed above, they should use the emission factors presented in this table to calculate CO<sub>2</sub> emissions. Participants who burn fuels not listed in Table 3.1, such as refinery fuel gas, should estimate emissions based on the specific properties of the fuel they are burning and document their emission factors in their reporting. In Table 3.1 emission factors for coal consumed are given for both California and U.S. except for coking and utility coals which are not consumed in California. Also, emission factors are based on high heating value.

**Table 3.1 CO<sub>2</sub> Emission Factors by Fuel Type**

Fuel	Carbon Dioxide Emission Factor		Fraction of Carbon Oxidized
	Kg CO <sub>2</sub> /MMBtu	Kg CO <sub>2</sub> /gallon	Percent
<b>Coal(California/United States)</b>			
Residential Coal	92.77/95.33		99
Commercial Coal	92.77/95.33		99
Industrial Coking Coal	NA/93.72		99
Industrial Other Coal	93.00/93.98		99
Utility Coal	NA/94.45		99
<b>Natural Gas</b>	53.05		99.5
<b>Petroleum</b>			
Aviation Gasoline	69.18	8.32	99
Distillate Fuel	73.15	10.15	99
Jet Fuel, Kerosene	70.88	9.57	99
Jet Fuel, Naphtha	73.17	9.33	99
Kerosene	72.31	9.77	99
Liquefied Petroleum Gas (LPG)	62.30	5.95	99
Motor Gasoline	70.91	8.87	99
Residual Fuel	78.80	11.79	99
Propane		5.70	99.5
Butane		6.52	99.5
Methanol (neat)		4.11	99

Source: "Inventory of California Greenhouse Gas Emissions and Sinks: 1990-1999" Tables 2-5 & 2-6 (CEC 2001) and "Emissions of Greenhouse Gases in the United States 2000" Table B1 (EIA 2001d), except as noted below. Note: Emission factors are based on complete combustion and high heating value (HHV). Emission factors for coking and utility coals are not given for California because they are not consumed in the state. Propane and butane emission factors and fractions oxidized from U.S. EPA AP-42. Methanol emission factor is calculated from the properties of the pure compounds; the fraction oxidized is assumed to be the same as for other liquid fuels.



Table 3.2 presents the CH<sub>4</sub> and N<sub>2</sub>O emission factors by activity sector and fuel type in kilograms per million Btu. These factors should be used as defaults by participants who choose to report CH<sub>4</sub> and N<sub>2</sub>O emissions during their first three years of participation in the Registry, or who are required to report them thereafter, unless participants have specific emission factors they believe are more accurate or are using emission factors from one of the sources listed on page 3-2.

**Table 3.2 CH<sub>4</sub> and N<sub>2</sub>O Emission Factors by Sector and Fuel Type in Kg/MMBtu**

Sector	Fuel	CH <sub>4</sub>	N <sub>2</sub> O
		Kg CH <sub>4</sub> /MMBtu	Kg N <sub>2</sub> O/MMBtu
Electric Utilities	Coal	0.001	0.0015
	Petroleum	0.003	0.0006
	Natural Gas	0.001	0.0001
	Wood	0.032	0.0042
Industrial	Coal	0.011	0.0015
	Petroleum	0.002	0.0006
	Natural Gas	0.005	0.0001
	Wood	0.032	0.0042
Commercial/Institutional	Coal	0.011	0.0015
	Petroleum	0.011	0.0006
	Natural Gas	0.005	0.0001
	Wood	0.316	0.0042
Residential	Coal	0.316	0.0015
	Petroleum	0.011	0.0006
	Natural Gas	0.005	0.0001
	Wood	0.316	0.0042

Source: "Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-2000" Table C-2 (EPA, 2002). Note: Emission factors are based on low heating value (LHV).

For petroleum products, CH<sub>4</sub> and N<sub>2</sub>O emission factors are also shown in kilograms per gallon in Table 3.3.

**Table 3.3 Petroleum Fuel CH<sub>4</sub> and N<sub>2</sub>O Emission Factors by Sector and Fuel Type in Kg/Gallon**

Sector	Fuel	CH <sub>4</sub>	N <sub>2</sub> O
		Kg CH <sub>4</sub> /gallon	Kg N <sub>2</sub> O/gallon
Electric Utilities	Distillate Fuel	0.0004	0.0001
	Liquefied Petroleum Gas (LPG)	0.0003	0.0001
	Residual Fuel	0.0004	0.0001
Industrial	Distillate Fuel	0.0003	0.0001
	Kerosene	0.0003	0.0001
	Liquefied Petroleum Gas (LPG)	0.0002	0.0001
	Residual Fuel	0.0003	0.0001
Commercial/Institutional	Aviation Gasoline	0.0012	0.0001
	Distillate Fuel	0.0014	0.0001
	Jet Fuel, Kerosene	0.0014	0.0001
	Jet Fuel, Naphtha	0.0013	0.0001
	Kerosene	0.0014	0.0001
	Liquefied Petroleum Gas (LPG)	0.0010	0.0001
	Motor Gasoline	0.0013	0.0001
	Residual Fuel	0.0015	0.0001
Residential	Distillate Fuel	0.0014	0.0001
	Kerosene	0.0014	0.0001
	Liquefied Petroleum Gas (LPG)	0.0010	0.0001
	Motor Gasoline	0.0013	0.0001
	Propane	9.1 x 10 <sup>-5</sup>	4.1 x 10 <sup>-4</sup>
	Butane	9.1 x 10 <sup>-5</sup>	4.1 x 10 <sup>-4</sup>

Source: IPCC (1996), Reference Manual, Chapter 1, except Propane and Butane, from U.S. EPA, AP-42. Note: Emission factors are based on low heating value (LHV), except Propane and Butane, which are based on high heating value (HHV).

**Step 4: If necessary, convert your fuel consumption to the appropriate units.**

If your fuel consumption is not available in MMBtu or gallons, you will have to convert it to these units. Select a conversion factor from Table 3.4.

**Table 3.4 Common Conversion Factors**

<b>To Convert From:</b>	<b>To</b>	<b>Multiply by:</b>
Natural Gas Mcf	MMBtu	1.03
Natural Gas Therm	MMBtu	0.1
Barrels	Gallons	42

Source: EIA (2001a) Annual Energy Review 2000, Appendix A.

**Step 5: Calculate each fuel's CO<sub>2</sub> emissions by using Equation 3.2 if the fuel consumption is expressed in MMBtu or Equation 3.3 if it is expressed in gallons.**

Equation 3.2:

$$\text{Total Emissions (tonnes/year)} = \text{Emission Factor (Kg CO}_2\text{/MMBtu)} \\ * \text{Fraction Oxidized (\%)} * \text{Fuel Consumption (MMBtu/year)} * 0.001 \text{ (tonnes/Kg)}$$

Equation 3.3:

$$\text{Total Emissions (tonnes/year)} = \text{Emission Factors (Kg CO}_2\text{/Gallon)} \\ * \text{Fraction Oxidized (\%)} * \text{Fuel Consumption (Gallon/year)} * 0.001 \text{ (tonnes/Kg)}$$

**Step 6: If you are reporting CH<sub>4</sub> and N<sub>2</sub>O emissions, calculate each fuel's CH<sub>4</sub> and N<sub>2</sub>O emissions by using Equation 3.4 if the fuel consumption is expressed in MMBtu or Equation 3.5 if it is expressed in gallons.**

Equation 3.4:

$$\text{Total Emissions (tonnes /year)} = \text{Emission Factors (Kg CH}_4\text{ or N}_2\text{O/MMBtu)} \\ * \text{Fuel Consumption (MMBtu/year)} * 0.001 \text{ (tonnes/Kg)}$$

Equation 3.5:

$$\text{Total Emissions (tonnes /year)} = \text{Emission Factors (Kg CH}_4\text{ or N}_2\text{O /Gallon)} \\ * \text{Fuel Consumption (Gallon/year)} * 0.001 \text{ (tonnes/Kg)}$$

**Carbon Dioxide Emissions Measurement**

Combustion emissions of carbon dioxide are most commonly quantified based on fuel consumption and the carbon content of the fuel. This is so because purchased fuels are generally very accurately measured (see discussion below) and data on fuel use and fuel carbon content are readily available. It is far less common for carbon dioxide and other GHG emissions from combustion to be measured. One exception to this generalization is electricity-generating units covered by the U.S. Environmental Protection Agency's Acid Rain Program.

Under the Acid Rain program, affected units are required to install continuous emissions monitoring systems (CEMS) for sulfur dioxide and/or nitrogen oxides emissions. These affected units are also required to report CO<sub>2</sub> emissions to the U.S. EPA. While EPA regulations do not require that reported carbon dioxide emissions be based on CEMS measurements, in many cases the unit operators do use CEMS to report CO<sub>2</sub> emissions. Participants who operate CEMS under the Acid Rain Program and use them to measure CO<sub>2</sub> emissions may use these results for reporting to the Registry instead of reporting emissions based on fuel consumption.

Participants who wish to use CEMS for reporting CO<sub>2</sub> emissions should note the following, however:

- Since CEMS typically do not analyze for methane and nitrous oxide in the flue gas, these emissions will still need to be estimated based on fuel use when they are being reported to the Registry,
- Once a participant begins to report CO<sub>2</sub> emissions based on CEMS results, CEMS will have to be used consistently for the affected units over the entire reporting period, and
- If changes to the CEMS methodology for calculating emissions are made (for example, to eliminate bias in CEMS measurements) these changes will have to be made to the entire reporting period to eliminate changes in the reported emissions that occur solely as a result of changes in the calculation methodology.

## **Discussion**

### *Heat Content: Low Heating Value vs. High Heating Value*

Heat content of a fuel can be reported in two ways: high heating value (HHV) or low heating value (LHV). These are also referred to as gross calorific value (GCV) and net calorific value (NCV), respectively. The reason for the two values for heat content of a fuel lies in the heat cycle associated with combustion of fuels.

A fuel that contains hydrogen (e.g., natural gas, gasoline, fuel oil, wood, coal) will, as a part of combustion, produce water. That water will initially be in gaseous phase (as water vapor), therefore containing the energy associated with its vaporization. If the vapor is condensed to water as part of the combustion process, the latent heat of vaporization can be recovered and utilized. In many cases, however, the water vapor proceeds as exhaust from the process and the latent heat of vaporization is not recovered. HHV includes the latent heat of vaporization of the water produced by combustion of the fuel, while LHV discounts the heat content of the fuel by the heat of vaporization of the water produced through combustion.

This leads to potential confusion when dealing with emission factors for fuels. Emission factors can be reported based on either HHV or LHV. The tables of emission factors above are labeled with notes as based on HHV or LHV. Typically, data in the United States are based on HHV while data in Europe are based on LHV. It is important when estimating emissions based on emission factors that the appropriate measure of heat content of a fuel is used with a particular emission factor. The International Energy Agency uses a simplified conversion of multiplying the HHV heat content of petroleum and coal by 0.95 and the heat content of natural gas by 0.90 to obtain the LHV heat content.

### **3.1.2 Mobile Sources**

Mobile sources are non-fixed sources of air pollution such as automobiles, motorcycles, trucks, off-road vehicles, boats, and airplanes. On-road mobile sources include vehicles authorized by the California Department of Motor Vehicles to operate on public roads. All other mobile sources are considered off-road equipment. Both on-road vehicles and off-road vehicles and equipment should be included in participant's inventories.

The procedures presented to calculate combustion-related greenhouse emissions from mobile sources are based on the methods given in the Inventory of California Greenhouse Gas Emissions and Sinks: 1990-1999 (CEC, 2001). The statewide inventory methodology calculates CO<sub>2</sub> emissions based on the quantity of fuels consumed. It calculates CH<sub>4</sub> and N<sub>2</sub>O emissions based on the distance traveled by various vehicle types.

Since the procedures used for the Energy Commission's statewide inventory are based on the U.S. national emissions inventory, these procedures are also applicable to Registry participants that report emissions for the entire United States in addition to reporting California emissions. While California reformulated gasoline has slightly different properties than regular gasoline sold in other states, the effect of this difference on greenhouse gas emissions is generally considered to be small—no greater than the normal variability in gasoline from one season to another, and this difference is not accounted for in the statewide inventory. Similarly, the effect of different emissions control technologies on California vehicles has some effect on CH<sub>4</sub> and N<sub>2</sub>O emissions, but in modern vehicles, these emissions are very small compared to emissions of CO<sub>2</sub> even after adjusting for their global warming potential. Very few data have been collected on N<sub>2</sub>O emissions from motor vehicles, and only a small fraction of this is for vehicles with California emissions controls. As more data become available, more precise emission factors for CH<sub>4</sub> and N<sub>2</sub>O will be made available for reporting GHG emissions to the Registry.

The statewide methodology is the preferred method for calculating mobile source GHG emissions. CO<sub>2</sub> emissions, the primary GHG emission from mobile sources, are directly related to the fuel carbon content and the quantity of fuel consumed. Combustion emissions of CH<sub>4</sub> and N<sub>2</sub>O are less directly related to fuel composition and depend on the emission control technologies employed in the vehicle. For this reason, their emission

factors are typically expressed in terms of mass of compound emitted per distance traveled, and the preferred method of calculating these emissions is based on mileage.

It is recognized that Registry participants may have information only on the annual quantity of fuel consumed by their vehicles or only on the annual mileage accumulation. For this reason, procedures are given below for estimating emissions based either on fuel consumption or distance traveled. Emission factors given in the statewide inventory in terms of grams per kilometer were converted to grams per gallon of fuel consumed in order to allow the use of annual fuel consumption to calculate emissions.

The recommended methods for estimating CO<sub>2</sub> emissions are presented separately from the recommended procedures for estimating CH<sub>4</sub> and N<sub>2</sub>O emissions. The procedures for estimating CO<sub>2</sub> emissions apply to both conventional and alternative fuel vehicles. There are however, insufficient data available at present to provide emission factors for emissions of CH<sub>4</sub> and N<sub>2</sub>O from alternative fuel vehicles.

### **CO<sub>2</sub> Emissions Estimation for Mobile Sources**

The preferred method for estimating CO<sub>2</sub> emissions, using annual fuel use, is described below as Option 1. Option 2 allows participants having only access to annual mileage information to convert the data to annual fuel consumption.

#### ***Option 1. CO<sub>2</sub> Emissions Estimation based on Fuel Consumption***

If you have annual fuel consumption for each vehicle or total fuel consumption by vehicle category, use this method to estimate emissions.

#### **Step 1: Identify the total annual fuel consumption by fuel type.**

If you store fuel at any of your facilities, and bulk fuel purchases are used to estimate fuel consumption, use Equation 3.6 to determine your annual fuel consumption. Note that the total annual fuel purchases in Equation 3.6 should include both fuel purchased for the bulk fueling facility and fuel purchased for the vehicles at other fueling locations.

Equation 3.6:

Annual Consumption = Total Annual Fuel Purchases + Amount Stored at Beginning of the Year – Amount Stored at Year End

#### **Step 2: Select the appropriate emission factor for each fuel and the fraction of carbon oxidized from Table 3.1 to calculate CO<sub>2</sub> emissions.**

#### **Step 3: Calculate CO<sub>2</sub> emissions using Equation 3.7:**

Equation 3.7:

Total Emissions (tonnes/year) = Emission Factor (Kg CO<sub>2</sub>/Gallon)  
\* Fraction Oxidized (%) \* Fuel Consumption (Gallon/year)\* 0.001 (tonnes/Kg)

#### ***Option 2: CO<sub>2</sub> Emissions Estimation Based on Vehicle Mileage***

If you only have annual mileage information for each vehicle, use this method to estimate CO<sub>2</sub> emissions.

**Step 1: Identify the vehicle make, model, fuel, and model years for all the vehicles you own and operate.**

**Step 2: Identify the annual mileage by vehicle type.**

Vehicle mileage may be converted to fuel consumption using the EPA fuel economy of the specific vehicle models in the fleet. Carbon dioxide emissions are then calculated based on the fuel consumption.

EPA fuel economy figures are available at <http://www.fueleconomy.gov/feg/>. Two figures are given: one for city driving one for highway driving. Participants should assume, as EPA does, that 45 percent of their mileage is highway driving and 55 percent is city driving unless they have information to indicate otherwise.

**Step 3 Calculate annual fuel use of each vehicle model using Equation 3.8**

Equation 3.8:

Fuel use (gallons) = Total Mileage (mi) / Fuel Economy (mi/gallon)

**Step 4: Select the appropriate emission factor for each fuel and the fraction of carbon oxidized from Table 3.1 to calculate CO<sub>2</sub> emissions.**

**Step 5: Calculate CO<sub>2</sub> emissions using Equation 3.7 based on the total consumption of each fuel type.**

#### **CH<sub>4</sub> and N<sub>2</sub>O Emissions Estimation for Mobile Sources**

For participants reporting CH<sub>4</sub> and N<sub>2</sub>O emissions, Option 1 below, which is based on vehicle annual mileage, is the preferred methodology for estimating these emissions. If only annual fuel consumption is known Option 2 may be used.

##### ***Option 1: CH<sub>4</sub> and N<sub>2</sub>O Emissions Estimation Based on Vehicle Mileage***

If you have annual mileage information for each vehicle, use this method to estimate emissions.

**Step 1: Identify the vehicle types, fuel, and model years of all the vehicles you own and operate.**

Vehicle types and emission factors by model year are shown in Table 3.5 for passenger cars, light-duty trucks, heavy-duty trucks, and motorcycles. The emission factors in Table 3.5 are based on mileage.

**Step 2: Identify the annual mileage by vehicle type.**

**Step 3: Select the appropriate emission factor from Table 3.5 for each vehicle and fuel type.**

**Step 4: Calculate each vehicle type CH<sub>4</sub> and N<sub>2</sub>O emissions by using Equation 3.9.**

Equation 3.9:

$$\text{Total Emissions (tonnes/year)} = \text{Emission Factors (Gram /Mile)} \\ * \text{Annual Mileage (Mile/year)} * 10^{-6} \text{ (tonnes/Gram)}$$

**Step 5. Sum the emissions over each vehicle and fuel type.**

The emissions calculated by Equation 3.9 apply to each vehicle and fuel type. The emissions for each vehicle and fuel combination must be summed to obtain the total emissions from all mobile sources.

***Option 2: CH<sub>4</sub> and N<sub>2</sub>O Emissions Estimation Based on Fuel Consumption***

If you only have annual fuel consumption for each vehicle, use this method to estimate CH<sub>4</sub> and N<sub>2</sub>O emissions.

**Step 1: Identify the vehicle types, fuel, and model years of all the vehicles you own and operate.**

Vehicle types and emission factors by model year are shown in Table 3.6 for passenger cars, light duty trucks, heavy duty trucks, and motorcycles. The emission factors listed in Table 3.6 are based on fuel consumption.

**Step 2: Identify the annual fuel consumption by vehicle type.**

**Step 3: Select the appropriate emission factor for each vehicle and fuel type.**

**Step 4: Calculate each vehicle type CH<sub>4</sub> and N<sub>2</sub>O emissions by using Equation 3.10.**

Equation 3.10:

$$\text{Total Emissions (tonnes/year)} = \text{Emission Factors (Gram /Gallon)} * \text{Fuel Consumption} \\ \text{(Gallons/year)} * 10^{-6} \text{ (tonnes/Gram)}$$



**Table 3.5 Mobile Source CH<sub>4</sub> and N<sub>2</sub>O Emission Factors by Vehicle and Fuel Type in g/mile**

Vehicle Types/Model Years	N <sub>2</sub> O	CH <sub>4</sub>
	g/mile	g/mile
<b>Gasoline Passenger Cars</b>		
Model Year 1966-1972	0.02	0.22
Model Year 1973-1974	0.02	0.19
Model Year 1975-1979	0.05	0.11
Model Year 1980-1983	0.08	0.07
Model Year 1984-1991	0.08	0.06
Model Year 1992	0.07	0.06
Model Year 1993	0.05	0.05
Model Year 1994 - present	0.04	0.05
<b>Diesel Passenger Cars</b>		
All Model Years	0.02	0.02
<b>Gasoline Light Duty Truck (&lt;5750 GVWR*)</b>		
Model Year 1966-1972	0.02	0.22
Model Year 1973-1974	0.02	0.23
Model Year 1975-1979	0.07	0.14
Model Year 1980-1983	0.13	0.12
Model Year 1984-1991	0.14	0.11
Model Year 1992	0.11	0.09
Model Year 1993	0.08	0.07
Model Year 1994-	0.06	0.06
<b>Diesel Light Duty Trucks</b>		
All Model Years	0.03	0.02
<b>Gasoline Heavy-Duty Vehicle (&gt;5751 GVWR)</b>		
Model Year 1981 and older	0.04	0.43
Model Year 1982-1984	0.05	0.42
Model Year 1985-1986	0.05	0.20
Model Year 1987	0.09	0.18
Model Year 1988-1989	0.09	0.17
Model Year 1990-2003	0.13	0.16
<b>Diesel Heavy Duty Trucks</b>		
Model Year 1966-1982	0.05	0.10
Model Year 1983-1995	0.05	0.08
Model Year 1996-1999	0.05	0.06
<b>Motorcycles</b>		
Model Year 1966-1995	0.01	0.42
Model Year 1996-	0.01	0.21

Source: Derived from the Inventory of California Greenhouse Gas Emissions and Sinks: 1990-1999 (CEC, 2001)

\* GVWR: Gross Vehicle Weight Rating

**Table 3.6 Mobile Source CH<sub>4</sub> and N<sub>2</sub>O Emission Factors by Vehicle and Fuel Type in g/gallon**

Vehicle Type/Model Year	N <sub>2</sub> O	CH <sub>4</sub>
	g/gallon	g/gallon
<b><i>Gasoline Passenger Cars</i></b>		
Model Year 1966-1972	2.4	0.18
Model Year 1973-1974	2.04	0.18
Model Year 1975-1979	1.64	0.76
Model Year 1980-1982	1.27	1.42
Model Year 1983	1.27	1.45
Model Year 1984-1991	1.21	1.54
Model Year 1992	1.10	1.28
Model Year 1993	0.99	1.03
Model Year 1994	0.93	0.87
Model Year 1995	0.92	0.85
Model Year 1996-	0.91	0.83
<b><i>Diesel Passenger Cars</i></b>		
Model Year 1966-1982	0.28	0.28
Model Year 1983-1995	0.36	0.36
Model Year 1996-1999	0.38	0.38
<b><i>Gasoline Light Duty Truck (&lt;5750 GVWR)</i></b>		
Model Year 1966-1972	2.10	0.18
Model Year 1973-1974	2.12	0.18
Model Year 1975-1979	1.64	0.76
Model Year 1980-1981	1.33	1.42
Model Year 1982	1.32	1.43
Model Year 1983	1.31	1.45
Model Year 1984-1991	1.27	1.54
Model Year 1992	1.08	1.29
Model Year 1993	0.89	1.04
Model Year 1994	0.78	0.88
Model Year 1995	0.77	0.86
Model Year 1996-	0.77	0.84
<b><i>Diesel Light Duty Trucks</i></b>		
Model Year 1966-1982	0.22	0.43
Model Year 1983-	0.27	0.55

**Table 3.6 Mobile Source CH<sub>4</sub> and N<sub>2</sub>O Emission Factors by Vehicle and Fuel Type in g/gallon (continued)**

<b>Gasoline Heavy-Duty Vehicle (&gt;5751 GVWR)</b>		
Model Year 1981 and older	1.84	0.18
Model Year 1982-1984	1.79	0.21
Model Year 1985-1986	1.07	0.25
Model Year 1987	0.77	0.49
Model Year 1988-1989	0.95	0.55
Model Year 1990-1999	0.89	0.70
<b>Diesel Heavy Duty Trucks</b>		
Model Year 1966-1982	0.50	0.25
Model Year 1983-1995	0.45	0.27
Model Year 1996-1999	0.36	0.27
<b>Motorcycles</b>		
Model Year 1966-1995	8.76	0.18
Model Year 1996-1999	5.31	0.17

Source: Derived from Inventory of California Greenhouse Gas Emissions and Sinks: 1990-1999 (CEC, 2001)

## 3.2 Indirect Emissions

### 3.2.1 Indirect Emissions from Electricity Use

For many companies, indirect emissions from electricity use may be the only greenhouse gas emissions that they report to the Registry. In cases where electricity is purchased from a utility, rather than through a supply contract with an independent power producer, Registry participants can assess indirect emissions from electricity quite easily based on the quantity of electricity they consume and published emission factors for this electricity. In the case of electricity purchased directly from co-generation facilities, see Section 3.2.2 for guidance on estimating emissions.

The steps outlined below describe the process for estimating indirect emissions from electricity consumption:

#### Step 1: Determine electricity consumption.

The required information is found on the utility bill received each month and is listed as the number of kilowatt-hours consumed. A kilowatt-hour is a metric for the energy used by electric loads, such as lights, office equipment, air conditioning, or machinery. Depending on the organization of the company and its facilities, one or more bills may be required for complete reporting. The monthly bills should be collected and the kilowatt-hours recorded by month. The total electricity consumption is then summed for the year. (Monthly accounting may be necessary in order to calculate emissions if the participant is using emission factors that vary seasonally).

## Step 2: Determine emission factors that apply to the electricity used.

Emissions per year are calculated by determining the level of greenhouse gases emitted per unit of electricity produced and multiplying this by the amount of electricity used. The level of emissions produced per unit of electricity is called an emission factor and is reported in grams per kilowatt-hour. Since emissions vary depending on the sources of fuel for the electricity (coal, fuel oil, natural gas, nuclear, biomass, wind, hydrological, solar, or geothermal), the calculation requires an emission factor that is specific to the mix of fuels used to generate the electricity that the reporting entity consumes. This factor will vary with the utility or non-utility supplier of the electricity. It will also vary depending on the season and the region in which the facilities operate.

Participants should estimate their emissions based on the U.S. Department of Energy published state-average emission factors for the United States in *Updated State-level Greenhouse Gas Emission Factors for Electricity Generation* (EIA, 2001c). Table 3.7 lists the emission factors from this source for California. If a participant can obtain emission factors specific to the supplier of their electricity, regardless of whether the supplier is an electric utility or independent power producer, they may use those factors in the calculation of emissions. However, they will need to submit the emissions factors and source of those factors to the Registry and Energy Commission for review.

**Table 3.7 California Annual Average Electricity Emission Factors**

Greenhouse Gas	Average Emission Factor, gCO <sub>2</sub> Eq./kWh
Carbon Dioxide	138
Nitrous Oxide	0.0003
Methane	0.0004

Source: EIA (2001c)

## Step 3: Determine total yearly emissions.

Multiply the electricity use in kilowatt-hours from Step 1 by the emission factors for CO<sub>2</sub>, N<sub>2</sub>O, and CH<sub>4</sub> from Step 2 and divide by the transmission and distribution (T&D) loss factor. This loss factor represents the fraction of the electricity that is lost between the generation station and the consumer. In 1996, the CEC estimated losses for Los Angeles Department of Water and Power to be 9 percent and Southern California Edison losses at 7 percent. If participants lack specific information from their electricity suppliers, the Registry should provide a default factor for transmission loss at 8 percent.

The calculation shown in Equation 3.11 will generate an emissions result for each greenhouse gas in tonnes. If seasonal emission factors are being used, those emissions results should be summed for the entire year.

Equation 3.11:

$$\text{Total Emissions (tonnes)} = \text{Electricity Use (kWh)} * \text{Emission Factor (g/kWh)} \\ * 10^{-6} \text{ (tonnes/g)} / [1 - \text{T\&D Loss Factor (fraction)}]$$

## Discussion

Published indirect emissions factors for electricity consumption vary over a wide range. Therefore, it is recommended that participants use the CO<sub>2</sub> emission factors that can be obtained from the figures published in *Updated State-level Greenhouse Gas Emission Factors for Electricity Consumption* (EIA, 2001c). A participant may use emission factors specific to their electricity supplier whenever available; however, the participant will need to provide the emission factors and source of emissions factors to the Registry and Energy Commission for review.

N<sub>2</sub>O and CH<sub>4</sub> emission factors were also obtained from EIA (2001c). Considerably greater uncertainty is apparent in these factors versus the factors EIA publishes for CO<sub>2</sub> emissions. This is due to the greater uncertainty in the combustion emissions of CH<sub>4</sub> and N<sub>2</sub>O, as discussed in Section 3.1. Because emissions of each of these compounds typically accounts for less than 0.5 percent of CO<sub>2</sub> emissions (on a CO<sub>2</sub> equivalent basis), this larger uncertainty has little effect on total GHG emissions.

### 3.2.2 Indirect GHG Emissions from Electricity and Heat Produced by Co-generation

Participants may receive electricity or heat from an onsite or nearby co-generation plant, rather than from a utility. Emissions from combined co-generation facilities (also referred to as combined heat and power (CHP) plants) represent a special case of indirect emissions. This is because the emissions must be divided between heat production and electricity production when two or more different parties receive the energy streams. The total emissions cannot be attributed to both the heat and the electricity, as this would result in double counting. Therefore, the emissions must be allocated.

Based on typical efficiencies of heat and power production, for the purposes of reporting to the Registry, the fraction of emissions associated with electricity and heat production are as is given in Equations 3.12 and 3.13.

Equation 3.12

$$\text{Emissions from Heat Production (tonnes)} = \text{Total Emissions (tonnes)} \\ * (\text{Net Heat Production (MMBtu)} / [0.9 * \text{Total Fuel Heat Input (MMBtu)}])$$

Equation 3.13

$$\text{Emissions from Electricity Production (tonnes)} = \text{Total Emission (tonnes)} \\ * (1 - \text{Net Heat Production (MMBtu)} / [0.9 * \text{Total Fuel Heat Input (MMBtu)}])$$

Equations 3.12 and 3.13 assume 90 percent efficiency for boiler emissions and allocates all other waste heat to electricity generation.

Where:

Equation 3.14:

$$\text{Net Heat Production (MMBtu)} = \text{Heat of Steam Export (MMBtu)} \\ - \text{Heat of Return Condensate (MMBtu)}$$

Equation 3.15:

$$\text{Emissions from Electricity Production (tonnes)} = \text{Total Emissions(tonnes)} \\ - \text{Emissions from Heat Production (tonnes)}$$

Emission factors may then be derived from Equations 3.12 and 3.13 for electricity and heat production based on the total amount of electricity and heat produced:

Equation 3.16:

$$\text{Co-generation Electricity Emission Factor (g/kWh)} = \frac{\text{Emissions from Electricity Production (tonnes)} * 10^6 \text{ (g/tonnes)}}{\text{Electricity Production (kWh)}}$$

Equation 3.17:

$$\text{Co-generation Heat Emission Factor (g/MMBtu)} = \frac{\text{Emissions from Heat Production (tonnes)} * 10^6 \text{ (g/tonnes)}}{\text{Heat Production (MMBtu)}}$$

Emissions from electricity or heat produced by a co-generating facility will require more information than the kilowatt-hours or Btus consumed per unit of time, unless the energy supplier provides emission factors as calculated above. Registry participants will have to obtain the total emissions of CO<sub>2</sub> (and CH<sub>4</sub> and N<sub>2</sub>O when they are being reported) from the co-generation facility, as well as the total electricity and heat production.

## Discussion

A variety of approaches have been proposed for dividing emissions between the heat and electricity outputs of combined heat and power systems (CHPs). At present, however, there is no standard, generally established way of dividing these emissions. Various approaches have been used to allocate fuel use between the two outputs (e.g., Phylipsen, et al., 1998), and these approaches can be applied equally well to emissions. Several allocation approaches are described by Phylipsen, et al. (1998):

1. On the basis of the energy contents of the products
2. On the basis of the exergy content (work potential) of the products
3. On the basis of the economic value of the products
4. By allocating emissions on the basis that all of the savings go to the electricity production (electricity emissions = total emissions – emissions that would have occurred with a conventional plant to produce the steam)
5. By allocating emissions on the basis that all of the savings go to the heat production (heat emissions = total emissions – emissions that would have occurred with a conventional plant to produce electricity)
6. By sharing the savings based on what emissions would have been for separate heat and electricity plants

Two methods for allocating emissions are presented in the WRI/WBCSD GHG protocol (WRI, 2001). One is identical to Method 6 listed above. The other is based on the work potential of the product streams, and is essentially the same as Method 2.

Each of these allocation schemes will provide somewhat different results, which vary with the type of combined heat and power plant—steam turbine, gas turbine, or gas engine, for example. Each allocation scheme also requires information about the nature of the process for producing the energy streams, which may not be readily available to those attempting to estimate their GHG emissions.

Rules for the allocation of emissions are sometimes set by the reporting program. The UK Emissions Trading Scheme bases its allocation on the assumption that the efficiency of heat generation is twice that of electricity generation (DEFRA, 2001b). This assumption amounts to a variation of Method 1 listed above. The fraction of emissions associated with electricity becomes  $2E/(2E+H)$ , and the fraction associated with heat production  $H/(2E + H)$ , where E is the quantity of electricity produced and H the quantity of steam produced, expressed in common units.

For this protocol, an emissions estimation method is recommended based on an interpretation of Method 6. This method was chosen because it requires minimal information and it accounts for the differing efficiencies of heat and power production. Participants may submit emissions estimates based on engineering calculations that are more precise. Also, the Energy Commission will provide further guidance on CHP emissions allocations in the future as more information becomes available through Registry participation.

### **3.2.3 Indirect GHG Emissions from Imported Steam or District Heating from a Conventional Boiler Plant**

Simplified and detailed estimation methodologies are shown below for estimating indirect emissions from imported steam or district heating from a conventional boiler plant (not a co-generation facility). Both methodologies are straightforward if all of the data are available. Because the more detailed methodology is more accurate it should be used if the necessary data are available. The simplified approach is presented as Option 1, the detailed approach as Option 2.

GHG emissions are calculated from the quantity of energy that is supplied from the district heating system, combined with the emission factors for the district heating plant, which are based on the fuel type used by the plant. The approach is similar to that of direct fuel combustion described in section 3.1.1, with the exception that the heat embodied in the steam or hot water is used to estimate fuel consumption versus measuring actual fuel consumption. Loss factors for the generation and transmission of steam need to be accounted for in the conversion of heat consumption to fuel consumption. The steps listed below illustrate how the emissions are calculated.

### ***Option 1. Simplified Approach based on Assumed Efficiency***

#### **Step 1: Determine energy obtained from steam or district heating.**

In the case of heating, fuel use is determined in steam thermal equivalents in MMBtu/month based on energy bills or other information sources. If heating bills are expressed in therms, they can be converted to MMBtu by multiplying by 0.1, as shown in the equation below. The monthly bills are summed over the year to give annual consumption.

Equation 3.18:

$$\text{Energy Consumption (MMBtu)} = \text{Energy Consumption (Therms)} * 0.1$$

#### **Step 2: Determine energy consumed by steam or district heating plant.**

Once the Energy Consumption is obtained, it is divided by the system efficiency to obtain the total Energy Input to the system. If the efficiency is unknown, 75 percent can be assumed for the simplified approach.

Equation 3.19:

$$\text{Energy Input (MMBtu)} = \text{Energy Consumption (MMBtu)} / 0.75.$$

#### **Step 3: Calculate Emissions.**

Because emissions will vary with fuel type, participants will have to know the type of fuel burned by the plant that is supplying them with steam or hot water. They should obtain this information from their energy supplier. Emission factors for stationary fuel combustion shown in Tables 3.1 and 3.2 apply for primary energy production. Equation 3.20 can then be applied using the Energy Input calculated in Equation 3.19.

Equation 3.20:

$$\text{Total Emissions (tonnes/year)} = \text{Emission Factor (g/MMBtu)} * \text{Energy Input (MMBtu)} * 10^{-6} \text{ (tonnes/g)}$$

### ***Option 2. Detailed Approach based on Known Efficiency***

The more detailed approach to calculating emissions is based on the actual efficiency of the heating plant and distribution system, rather than assumed values. If heating bills are expressed in terms of pounds of steam/month, participants will also be able to use this more detailed approach to convert this information into MMBtu/month based on the temperature and pressure of the steam they acquire.

#### **Step 1: Determine energy obtained from steam or district heating.**

If heating bills are given in terms of Btus, or Therms, calculate the energy consumption as described above for Option 1, Step 1.



If steam is billed in pounds, follow the approach given below for determining energy consumption.

The temperature and pressure of the steam should either be monitored by the participant's facility or specified in the supply contract with the steam supplier. The thermal energy of the steam may be calculated using saturated water at 212 °F as the reference (API, 2001). The thermal energy consumption is then calculated as the difference between the enthalpy of the steam at the delivered conditions and the enthalpy of the saturated water at the reference conditions. The enthalpy of the steam can be found in standard steam tables. The enthalpy of saturated water at the reference conditions is 180 Btu per pound. The thermal energy consumption for the steam can then be calculated as shown in Equation 3.21.

Equation 3.21:

$$\text{Energy Consumption (MMBtu)} = [\text{Enthalpy of Delivered Steam (Btu/lb)} - 180 \text{ (Btu/lb)}] \\ * \text{Mass of Steam Consumed (lbs)} / 10^6 \text{ (Btu/MMBtu)}$$

## **Step 2: Determine energy consumed by steam or district heating plant.**

Energy Consumption is divided by the efficiency of the boiler and transport system to obtain the total Energy Input to the system. Equation 3.22 shows that Energy Input is determined by dividing the Consumption from Step 1 by the percentage efficiency of the boiler (heat energy output/fuel energy input HHV) and accounting for thermal losses in the transport of the steam or hot water to the consumer.

Equation 3.22:

$$\text{Energy Input (MMBtu)} = \text{Energy Use for Heating (MMBtu/year)} / \\ [\text{Fractional Boiler Efficiency} * (1 - \text{Fractional Transport Losses})]$$

## **Step 3: Calculate Emissions.**

The calculation of emissions for the detailed approach is the same as for the simplified approach described above. Participants should follow Step 3 above to calculate their emissions.

Note that if transport losses or boiler efficiency vary seasonally, Energy Input should be calculated by Equation 3.22 on a monthly or seasonal basis and summed to give the total annual Energy Input for use in Step 3.

## **Discussion**

One difficulty participants may encounter when determining the indirect emissions from heating is that they may not know the type of fuel or heat losses incurred by the facility that supplies them heat or steam. Since the fuel is likely to be natural gas in California, one option is to assume that natural gas boiler was used to generate the heat and calculate GHG emissions accordingly. The type of fuel used, the boiler efficiency, and transport

losses should be obtained from the energy supplier, however, to provide more accurate emissions estimates.

### **3.2.4 Indirect GHG Emissions from District Cooling**

A simplified estimation methodology and a detailed estimation methodology are presented below for evaluating indirect GHG emissions from district cooling. The simplified approach is based on an assumed coefficient of performance (COP), which is the ratio of cooling produced to energy input for the cooling plant. COPs for chillers vary by more than an order of magnitude, and therefore the simplified methodology can only be used to provide a rough emissions estimate, unless the participant can obtain the COP for the plant from which it obtains cooling.

The more detailed evaluation of GHG emissions from district cooling entails the attribution of emissions from the cooling plant to the participant's cooling demand. This is done by scaling the total GHG emissions from the cooling plant by the fraction of the total cooling demand for which the participant is responsible.

For both the simplified and detailed estimation approaches, participants will use the amount of cooling indicated on their cooling bill, which are typically specified in terms of ton-hours of cooling. Using this information, indirect GHG emissions from the district cooling can then be calculated using one of the methods given below.

#### ***Option 1. Simplified Approach based on Assumed Coefficient of Performance***

##### **Step 1: Determine Annual Cooling Demand.**

The cooling bill will typically report cooling demand in ton-hours. This value needs to be converted to MMBtus. (In some cases, the cooling demand may be billed in MMBtus of cooling.)

Equation 3.23:

$$\text{Cooling Demand (MMBtu)} = \text{Cooling Demand (Ton-Hours)} * 12,000 \text{ (Btu/Ton-Hour)} * 10^{-6} \text{ (MMBtu/Btu)}$$

##### **Step 2. Select COP for Cooling System.**

This simplified estimation methodology is dependent on the cooling system COP. The district cooling plant should be contacted to obtain the COP for the facility supplying the participant. If the participant cannot obtain the COP, it should determine the type of chiller used by the district cooling plant. With that information, a rough estimate of the COP may be selected from one of the typical values shown in Table 3.8.

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**Table 3.8 Typical Chiller Coefficients of Performance (COP)\***

Equipment Type	COP	Energy Source
Absorption Chiller	0.8	Natural Gas
Engine Driven Compressor	1.2	Natural Gas
Electric Driven Compressor	4.2	Electricity

\* Note: COP values can vary by an order of magnitude. The COP values presented for this simplified approach are for rough estimates.

---

Using the COP, the Energy Input to the system resulting from the participant's cooling demand can be obtained. This input energy is then used to calculate emissions.

Equation 3.24:

$$\text{Energy Input (MMBtu)} = \text{Cooling Demand (MMBtu)} / \text{COP}$$

For an electric driven compressor, convert the Energy Input in MMBtu into kWh by multiplying by 293.1.

## **Step 2. Calculate Emissions.**

If the cooling plant uses an electrically driven compressor, calculate emissions using the procedures described in Section 3.2.1 based on the amount of electricity consumption calculated by Equation 3.24.

For Absorption Chillers or Engine Driven Compressors participants should attempt to determine what fuel they consume. If the fuel type cannot be determined, assume natural gas as listed in Table 3.8. Emissions should then be calculated as described in Section 3.1.1 based on the amount of primary energy input calculated by Equation 3.24.

### ***Option 2. Detailed Approach based on Cooling Plant Emissions and Participant's Share of Total Cooling Demand***

The detailed approach to estimating indirect emissions from district cooling is based on scaling the total cooling plant emissions by the fraction of the cooling that is provided to the participant.

## **Step 1. Determine total cooling-related emissions from the district cooling plant.**

District cooling plants take a variety of forms and may produce electricity, hot water, or steam for sale, as well as producing cooling. In the simplest case, all of the fuel consumed by the plant is used to providing cooling. The total cooling plant emissions can then be expressed as:

Equation 3.25:

$$\begin{aligned} \text{Total Cooling Emissions (tonnes)} = & \\ & \text{Indirect Emissions from Cooling Plant Electricity and Heat Consumption (tonnes)} \\ & + \text{Emissions from Cooling Plant Direct Fuel Combustion (tonnes)} \end{aligned}$$

The process for calculating the direct and indirect emissions used in this equation is identical to those described in the earlier sections of this chapter. The participant will either have to obtain the emission values from the district cooling plant, or calculate the emissions based on the fuel consumption and electricity and steam consumption information provided by the plant.

In many, if not most cases, the simple situation described above will not apply. Instead, the cooling plant will be integrated into a combined heat and power plant, where some of the steam and electricity produced by the plant may be used for cooling, and some may be used for other purposes. In this case, the emissions from the combined heat and power plant will need to be allocated between heating and electricity production (or shaft work in the case of internal combustion engines), and these emissions will have to be scaled by the fraction of the heat or electricity that is used for cooling, as opposed to being used for other purposes. The attribution of emissions to the heat and power streams is done in the same manner as described in Section 3.2.2.

Equation 3.26:

$$\begin{aligned} \text{Total Cooling Emissions (tonnes)} = & \{ \text{Fraction of CHP Electricity Production Used for Cooling} \\ & * ((\text{Total Fuel Heat Input (MMBtu)} - (\text{Net Heat Production (MMBtu)} / 0.9)) \\ & / \text{Total Fuel Heat Input (MMBtu)}) \} + \\ & \text{Fraction of CHP Heat Production Used for Cooling (kWh)} \\ & * (\text{Net Heat Production (MMBtu)} / (0.9 * \text{Total Fuel Heat Input (MMBtu)})) \} \\ & * \text{Total CHP Emissions (tonnes)} \end{aligned}$$

(Equation 3.26 assumes 90 percent efficiency for boiler emissions and allocates all other waste heat to electricity generation.)

### **Step 3: Determine fraction of cooling emissions attributable to participant.**

The next step in calculating cooling emissions is to scale the total plant cooling emissions by the fraction of the participant's portion of the cooling demand. This is done by scaling the total cooling load on the plant based on the cooling load of the participant.

Equation 3.27:

$$\begin{aligned} \text{Participant Cooling Emissions (tonnes)} = & \text{Total Cooling Emissions (tonnes)} \\ & * \text{Participant Cooling Load (ton-hrs)} / \text{Total Cooling Load (ton-hrs)} \end{aligned}$$

### **Step 4: Determine total yearly emissions.**

For each month (or longer period) of the year, cooling emissions should be calculated as described in Steps 1 and 2. The duration of the periods for which the emissions are calculated will depend on the data available. Ideally, calculations would be made monthly for cooling plants integrated with CHPs, as emissions associated with cooling will depend on how the CHP outputs are distributed. If data for making these calculations are not available on a monthly basis, then longer periods will be used. In

either case, the emissions for each period must be summed over the year to obtain the annual total.

## **Discussion**

Cooling systems may employ a range of technologies and thus have a wide range of coefficients of performance. The mix of electricity and natural gas use for the cooling plant will have a significant impact on GHG emissions. Unlike district heating plants, emissions cannot be accurately calculated based on assumptions about the type of fuel consumed and the technology employed.

The calculation of district cooling emissions will require the cooperation of the cooling plant in supplying the required information to make the calculations. Most consumers of district cooling are, however, expected to exist within a single reporting entity, such as a college campus and thus would not require any attribution of emissions. In other cases, the plants serve related entities, such as a group of government agency buildings, and thus the required data should be available.

### **3.2.5 Emissions Associated with Energy Exports**

For participants with a net positive energy import, emissions associated with energy imports and energy exports should be reported separately as well as the net emissions associated with energy import. This approach recognizes the benefits of facilities equipped with cogeneration capabilities, but whose primary business is other than the production of power.

For participants with a net negative energy import (i.e., energy exporters such as electricity generators) emissions associated with exported power are not to be subtracted from the participant's reported emissions.

Consistent with the practice of accounting for emissions associated with imported energy, emissions resulting from the production of electricity, steam, heating, and cooling that are sold to another party should also be reported by Registry participants. The calculation of exported emissions follows the same basic approach as the allocation of emissions for cooling. The total emissions associated with the electricity, heating, steam production, or cooling provided by the participant's plant are scaled by the fraction of the resources that are exported in a manner analogous to equation 3.28.

Equation 3.28:

$$\begin{aligned} \text{Exported Emissions (from electricity gen., heating, steam production, or cooling)} = \\ \text{Total Emissions (from electricity gen., heating, steam production, or cooling)} \\ * \text{Fraction of Energy Exported (electricity gen., heating, steam production, or} \\ \text{cooling)} \end{aligned}$$

The Registry is focused on absolute direct emissions for California statewide operations. Total GHGs produced (supply-side) need to be reported by the emitter, regardless of who consumes the "products" resulting from the GHG emission (demand-side). By limiting

the reporting of emissions associated with net energy imports to net positive energy imports, the Registry will be in a better position to clearly portray GHG emissions by industry sector. For example, the WRI protocol recognizes the value of cogeneration but does not allow netting of emissions associated with energy exports. This is to avoid confusion regarding a facility's emissions impact. Also, the policy implications of allowing netting of emissions for energy exporters needs to be more fully considered as the Registry gains participants.

### **3.2.6 An Example Emissions Calculation: ABC Manufacturing Company**

ABC Manufacturing Company owns two manufacturing plants, Plant A and Plant B, both in the state of California. The company's headquarter offices are adjacent to Plant A.

ABC Manufacturing Company's headquarters and the plants operate mainly on electricity, although at Plant A, natural gas is burned in a furnace for process heating. Backup electricity is provided at Plant B by a diesel generator. Diesel fuel for the backup generator is kept in a small storage tank onsite. Plant B also imports steam from a neighboring facility.

ABC Manufacturing Company operates a fleet of heavy-duty diesel trucks to distribute its products to bulk retailers throughout the region. The heavy-duty fleet is based out of Plant B where the company's fueling station and maintenance garage are situated. ABC Manufacturing Company also owns several light duty trucks. Gasoline fueling is available at Plant B, however employees often fuel at other locations. Employees are issued company gas credit cards for their offsite fuel purchases.

#### **Direct Emissions from Stationary Sources**

##### **Step 1: Identify all types of fuel directly combusted in your operations.**

Fuel	Equipment Type	Number	Location
Natural Gas	Furnace	1	Plant A
Diesel	2 MW Backup Internal Combustion Generator	1	Plant B

**Step 2: Identify annual consumption of each fuel.**

Fuel	Equipment Type	Number	Location	Annual Fuel Purchase	Fuel stored January 1	Fuel stored December 31
Natural Gas	Furnace	1	Plant A	125,000 MMBtu	N/A	N/A
	<b>Total Fuel Consumption</b>			<b>125,000 MMBtu/year</b>		
Diesel	Backup Internal Combustion Generator	1	Plant B	1,200 gallons	500 gallons	200 gallons
	<b>Total Fuel Consumption</b>			<b>1,500 Gallons/year</b>		

Calculate the total diesel consumption using Equation 3.1.

$$\text{Total Diesel Consumption} = (1,200 + 500 - 200) \text{ gallons/year} = 1,500 \text{ gallons/year}$$

**Step 3: Select the appropriate emission factors for each fuel from Tables 3.1 and 3.2.**

**Step 4: As fuel consumption is in the appropriate units, this step can be bypassed.**

**Step 5: Calculate each fuel's CO<sub>2</sub> emission contribution.**

$$\begin{aligned} \text{Natural Gas CO}_2 \text{ emissions} &= 53.05 \text{ kg/MMBtu} * 99.5\% * 125,000 \text{ MMBtu/year} \\ &* 0.001 \text{ tonnes/kg} = 6,600 \text{ tonnes/year} \end{aligned}$$

$$\begin{aligned} \text{Diesel CO}_2 \text{ emissions} &= 10.15 \text{ Kg/gallon} * 99\% * 1,500 \text{ gallons/year} * 0.001 \text{ tonnes/kg} \\ &= 15 \text{ tonnes/year} \end{aligned}$$

**Step 6: Calculate each fuel's CH<sub>4</sub> and N<sub>2</sub>O emission contribution.**

$$\begin{aligned} \text{Natural Gas CH}_4 \text{ emissions} &= 0.005 \text{ kg/MMBtu} * 125,000 \text{ MMBtu/year} \\ &* 0.001 \text{ tonnes/kg} = 0.63 \text{ tonnes/year} \end{aligned}$$

$$\begin{aligned} \text{Natural Gas N}_2\text{O emissions} &= 0.0001 \text{ kg/MMBtu} * 125,000 \text{ MMBtu/year} \\ &* 0.001 \text{ tonnes/kg} = 0.013 \text{ tonnes/year} \end{aligned}$$

$$\begin{aligned} \text{Diesel CH}_4 \text{ emissions} &= 0.0003 \text{ kg/gallon} * 1,500 \text{ gallons/year} * 0.001 \text{ tonnes/kg} \\ &= 0.00045 \text{ tonnes/year} \end{aligned}$$

$$\begin{aligned} \text{Diesel N}_2\text{O emissions} &= 0.0001 \text{ kg/gallon} * 1,500 \text{ gallons/year} * 0.001 \text{ tonnes/kg} \\ &= 0.00015 \text{ tonnes/year} \end{aligned}$$

Fuel	CO <sub>2</sub> (tonnes/year)	CH <sub>4</sub> (tonnes/year)	N <sub>2</sub> O (tonnes/year)
Natural Gas	6,600	0.63	0.013
Diesel	15	0.00045	0.00015
<b>Total</b>	<b>6,615</b>	<b>0.63</b>	<b>0.013</b>

## Direct Emissions from Mobile Sources

Vehicle Type	Fuel	Model year	Number	Usage data available (Data source)
Heavy Duty Vehicles	Diesel	1995	15	Fuel Use (Onsite fuel delivery) Mileage (Driver mileage log)
Light Duty Trucks	Gasoline	1997	4	Fuel Use (Onsite fuel delivery, credit card statements) Mileage (Driver mileage log)

### CO<sub>2</sub> Emission Calculation

Option 1 is selected because fuel use data is available.

#### **Step 1: Identify the total annual fuel consumption by fuel type.**

Vehicle Type	Fuel	Model year	Number	Annual Fuel Purchased per Fleet	Fuel Stored January 1	Fuel stored December 31
Heavy Duty Vehicles	Diesel	1995	15	165,000 Gallons/year	2,500 Gallons	5,500 Gallons
	<b>Total</b>			<b>162,000 Gallons/year</b>		
Light Duty Trucks	Gasoline	1997	4	4000 Gallons/year	500 Gallons	250 Gallons
	<b>Total</b>			<b>4,250 Gallons/year</b>		

Total Diesel Consumption =  $(165,000 + 2,500 - 5,500)$  gallons/year  
= 162,000 gallons/year

Total Gasoline Consumption =  $(4,000 + 500 - 250)$  gallons/year  
= 4,250 gallons/year

#### **Step 2: Select the appropriate emission factor for each fuel from Table 3.1.**

#### **Step 3: Calculate each fuel's CO<sub>2</sub> emission contribution.**

Diesel CO<sub>2</sub> emissions =  $10.15 \text{ kg/gallon} * 99\% * 162,000 \text{ gallons/year} * 0.001 \text{ tonnes/kg}$   
= 1,630 tonnes/year

Gasoline CO<sub>2</sub> emissions =  $8.9 \text{ kg/gallon} * 99\% * 4,250 \text{ gallons/year} * 0.001 \text{ tonnes/kg}$   
= 37 tonnes/year



### CH<sub>4</sub> and N<sub>2</sub>O Emissions

To calculate CH<sub>4</sub> and N<sub>2</sub>O emissions, the preferred methodology Option 1 requiring mileage information is used.

#### **Step 1: Identify vehicle type, fuel, and model year of each vehicle.**

Vehicle Type	Fuel	Model year	Number
Heavy Duty Vehicles	Diesel	1995	15
Light Duty Trucks	Gasoline	1997	4

#### **Step 2: Identify the annual mileage by vehicle type**

Vehicle Type	Fuel	Model year	Number	Annual Mileage by Vehicle	Annual Mileage by Type
Heavy Duty Vehicles	Diesel	1995	15	60,000 Miles/year	900,000 Miles/year
Light Duty Trucks	Gasoline	1997	4	15,000 Miles/year	60,000 Miles/year

#### **Step 3: Select the appropriate emission factor for each fuel and vehicle type from Table 3.5.**

#### **Step 4: Calculate each vehicle type CH<sub>4</sub> and N<sub>2</sub>O emission contributions.**

##### ***Heavy-Duty Diesel Vehicles***

$$\begin{aligned}\text{HDV(Diesel, 1995) N}_2\text{O Emissions} &= 0.05 \text{ g/mile} * 900,000 \text{ miles/year} * 10^{-6} \text{ tonnes/g} \\ &= 0.045 \text{ tonnes/year}\end{aligned}$$

$$\begin{aligned}\text{HDV(Diesel, 1995) CH}_4\text{ Emissions} &= 0.08 \text{ g/mile} * 900,000 \text{ miles/year} * 10^{-6} \text{ tonnes/g} \\ &= 0.072 \text{ tonnes/year}\end{aligned}$$

##### ***Light-Duty Trucks***

$$\begin{aligned}\text{LDT(Gasoline, 1997) N}_2\text{O Emissions} &= 0.06 \text{ g/mile} * 60,000 \text{ miles/year} * 10^{-6} \text{ tonnes/g} \\ &= 0.0036 \text{ tonnes/year}\end{aligned}$$

$$\begin{aligned}\text{LDT(Gasoline, 1997) CH}_4\text{ Emissions} &= 0.06 \text{ g/mile} * 60,000 \text{ miles/year} * 10^{-6} \text{ tonnes/g} \\ &= 0.0036 \text{ tonnes/year}\end{aligned}$$

Vehicle Type	Fuel	Model year	CO <sub>2</sub> (tonnes/year)	CH <sub>4</sub> (tonnes/year)	N <sub>2</sub> O (tonnes/year)
Heavy Duty Vehicles	Diesel	1995	1,630	0.072	0.045
Light Duty Trucks	Gasoline	1997	37	0.0036	0.0036
<b>Total</b>			<b>1,670</b>	<b>0.076</b>	<b>0.049</b>

### Indirect Emissions from Imported Energy

Before calculating indirect emissions, all types of indirect emissions related to ABC manufacturing Company must be identified:

Source	Location
Electricity Consumption	Plant A and B, Headquarters (HQ)
Steam Consumption	Plant B

### Step 1: Identify annual consumption and suppliers of steam and electricity.

Source	Location	Annual Purchase	Supplier
Electricity	Plant A	1,200,000 kWh	Grid
Electricity	Plant B	1,200,000 kWh	Independent Power Producer (not a co-generator)
Electricity	HQ	100,000 kWh	Grid
Steam	Plant B	6,000 Therms	Conventional Steam Generator (gas-fired)

Note that if the emission factors for electricity production vary throughout the year, the calculations in Step 2, 3, and 4 should be done on a monthly basis and then summed at the end rather than determining emissions from annual purchases. Although the emissions are assumed to be uniform throughout the year in this example, Section 3.2.1 provides steps to follow if emissions vary seasonally.

**Step 2: Determine emission factors and T&D loss factors that apply to electricity consumed.**

The company was unable to receive specific information from the utility serving Plant A and its headquarters on emissions and T&D losses. Therefore, it bases its emissions estimates on the default values. For Plant B, however, it was able to obtain emission factors and T&D loss factors from the independent power producer (IPP) with which it has a supply contract to serve the plant.

Source	T&D Loss Factor	Emission Factors, g/kWh generated			Source of Emission Factors
		CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	
Grid	8%	250	0.0004	0.0003	From Table 3.12
IPP	1% (supplied by IPP)	400	0.0007	0.0005	Supplied by IPP

**Step 3: Calculate emissions from each source of electricity supply.**

$$\text{Plant A + HQ electricity CO}_2 \text{ emissions} = (1,200,000 + 100,000) \text{ kWh} * 250 \text{ g/kWh} \\ * 10^{-6} \text{ tonne/g} * [1 / (1 - 0.08)] = 350 \text{ tonnes/year}$$

$$\text{Plant B electricity CO}_2 \text{ emissions} = 1,200,000 \text{ kWh} * 400 \text{ g/kWh} * 10^{-6} \text{ tonne/g} \\ * [1 / (1 - 0.01)] = 480 \text{ tonnes/year}$$

$$\text{Plant A + HQ electricity CH}_4 \text{ emissions} = (1,200,000 + 100,000) \text{ kWh} * 0.0004 \text{ g/kWh} \\ * 10^{-6} \text{ tonne/g} * [1 / (1 - 0.08)] = 0.00057 \text{ tonnes/year}$$

$$\text{Plant B electricity CH}_4 \text{ emissions} = 1,200,000 \text{ kWh} * 0.0007 \text{ g/kWh} * 10^{-6} \text{ tonne/g} \\ * [1 / (1 - 0.01)] = 0.00085 \text{ tonnes/year}$$

$$\text{Plant A + HQ electricity N}_2\text{O emissions} = (1,200,000 + 100,000) \text{ kWh} * 0.0003 \text{ g/kWh} \\ * 10^{-6} \text{ tonne/g} * [1 / (1 - 0.08)] = 0.00042 \text{ tonnes/year}$$

$$\text{Plant B electricity N}_2\text{O emissions} = 1,200,000 \text{ kWh} * 0.0005 \text{ g/kWh} * 10^{-6} \text{ Tonne/g} \\ * [1 / (1 - 0.01)] = 0.00061 \text{ tonnes/year}$$

Facility	Source	CO <sub>2</sub> (tonnes/year)	CH <sub>4</sub> (tonnes/year)	N <sub>2</sub> O (tonnes/year)
Plant A + HQ	Grid	350	0.00057	0.00042
Plant B	IPP	480	0.00085	0.00061
<b>Total</b>		<b>830</b>	<b>0.00142</b>	<b>0.00103</b>

To calculate emission from the consumption of steam, the participant would follow the following steps. Aside from knowing that the steam is supplied by a conventional steam generator fueled by natural gas, the participant has other information about the supplier.

**Step 1: Determine energy obtained from steam or district heating in MMBtu.**

Steam energy consumed = 6,000 Therms \* 0.1 MMBtu/Therm = 600 MMBtu/year

**Step 2: Determine emissions that apply to fuel used to generate the steam.**

Since the participant knows natural gas is used to generate the steam, emissions factors in terms of MMBtu for natural gas from Tables 3.1 and 3.2 are employed. An average boiler efficiency of 85 percent, and a loss factor of 6 percent are used lacking any more specific information.

Facility B steam CO<sub>2</sub> emissions = 600 MMBtu \* 53 kg/MMBtu \* 10<sup>-3</sup> tonne/kg  
 \* [1 / (0.85)] \* [1 / (1-0.06)] = 40 tonnes/year

Facility B steam CH<sub>4</sub> emissions = 600 MMBtu \* 0.005 kg/MMBtu \* 10<sup>-3</sup> tonne/kg  
 \* [1 / (0.85)] \* [1 / (1-0.06)] = 0.0038 tonnes/year

Facility B steam N<sub>2</sub>O emissions = 600 MMBtu \* 0.0001 kg/MMBtu \* 10<sup>-3</sup> tonne/kg  
 \* [1 / (0.85)] \* [1 / (1-0.06)] = 0.000075 tonnes/year

Facility	Source	CO <sub>2</sub> (tonnes/year)	CH <sub>4</sub> (tonnes/year)	N <sub>2</sub> O (tonnes/year)
Plant B	Steam	40	0.0038	0.000075
<b>Total</b>		<b>40</b>	<b>0.0038</b>	<b>0.000075</b>

**Emissions Summary for ABC Manufacturing Company**

Source	CO <sub>2</sub> (tonnes/year)	CH <sub>4</sub> (tonnes/year)	N <sub>2</sub> O (tonnes/year)
Direct Emissions from Stationary Sources			
Natural Gas	6,600	0.63	0.013
Diesel	15	0.00045	0.00015
Direct Emissions from Mobile Sources			
Diesel	1,630	0.072	0.045
Gasoline	37	0.0036	0.0036
Indirect Emissions			
Electricity – Grid	350	0.00057	0.00042
Electricity – IPP	480	0.00085	0.00061
Steam	40	0.0038	0.000075
<b>Total Emissions</b>	<b>9,150</b>	<b>0.71</b>	<b>0.063</b>
Global Warming Potential	1	21	310
<b>Total Emissions in CO<sub>2</sub> Equivalents</b>	<b>9,150</b>	<b>15</b>	<b>19</b>

This example illustrates the small contribution methane and nitrous oxide make to combustion emissions. Together, these two compounds amount to less than 0.4 percent of total emissions expressed on a CO<sub>2</sub>-equivalent basis. Assuming the participant has no other emissions that it considers de minimis, these compounds could be excluded from

Registry reporting even after the participant had been reporting for more than three years, when reporting of all six types of GHGs is required.

### **3.3 General Fugitive Emissions of GHGs**

The majority of fugitive GHG emissions are specific to various industrial sectors or processes. One emission source that is common across a wide range of entities is leakage from refrigeration systems. Only those refrigerants that contain or consist of compounds on the Registry's list of greenhouse gases are of interest for reporting.

Hydrofluorocarbons (HFCs) are the primary GHG of concern for refrigeration systems, particularly for motor vehicle air conditioners. Today HFC-134a is the standard refrigerant for mobile air conditioning systems. For most Registry participants, emissions of HFCs from air conditioning systems will be negligible in comparison to other GHG emissions.

The emissions calculation process described in this section is two-tiered. The first tier is to roughly estimate emissions to determine if they are material, and thus warrant a more comprehensive review. The second tier is performing the more comprehensive review to obtain accurate HFC emissions.

To perform the Tier 1 materiality analysis, the following data are required:

- Types and quantities of air conditioning equipment
- Total refrigerant charge
- Annual leak rate
- Type of refrigerant

The following step-by-step instructions detail a methodology for estimating HFC emissions from air conditioners:

#### **Step 1: Determine if HFC Emissions are Material.**

This step is the first tier approach that allows an entity to roughly estimate emissions and determine if HFC emissions from air conditioning systems are material. Consistent with the Registry definition of materiality, HFC emissions from air conditioners greater than or equal to 5 percent of a participant's total emission are considered material, assuming the participant has no other de minimis emissions. Emissions less than 5 percent are considered de minimis, can be ignored, and no further calculations are needed. However, if emissions are considered substantial and possibly material, then a more comprehensive and accurate mass balance approach is required to determine actual emissions. For a complete discussion of applying de minimis criteria, see Section 2.2.

Table 3.9 gives typical values for leakage rates, refrigerant charges, and type of refrigerant for various refrigeration systems. This information may be used for Step 1.

Using the values in Table 3.9, the following Equation 3.29 is used to obtain emissions estimates:

Equation 3.29:

$$\text{HFC Emissions from Annual Air Conditioning (kg)} = \sum (\text{Refrigerant Charge (kg)} \times \text{Annual Leak Rate (\%)})$$

The emissions from each unit are added together to achieve the total emissions of each type of HFC. If the HFC emissions are material, continue to Step 2.

As discussed in Section 2.2, the global warming potential for each HFC must be multiplied by the corresponding mass emission rate. If the sum of the HFC CO<sub>2</sub>-equivalent emissions and other participant emissions considered to be de minimis is less than 5 percent of the total emissions, the HFC emissions are not required to be reported.

**Table 3.9 Air Conditioner Loss Rates**

Type of AC System	Annual Loss Rate, %	Refrigerant Charge, kg	Type of Refrigerant
Large Automobile	1.3	1.0	HFC-134a
Small Automobile	1.3	0.5	HFC-134a
Residential Central Air System (3 ton)	4.5	2.8	R407C
Commercial AC System (7 ton)	2	6.9	R407C
Commercial Chiller (350 ton)	1	480	HFC-123
Commercial Chiller (350 ton)	1	432	HFC-134a
Commercial Chiller (1000 ton)	1	1,225	HFC-123
Commercial Chiller (1000 ton)	1	1,120	HFC-134a
Direct Expansion (DX) Central Refrigeration System	15	6% of floor area (ft <sup>2</sup> )	R404A,R507
Water-Cooled Distributed System	4	0.66% of floor area (ft <sup>2</sup> )	R404A,R507
Secondary Loop System	2	1.5% of floor area (ft <sup>2</sup> )	R404A,R507

Note: Information included in this table is based on "Global Comparative Analysis of HFC and Alternative Technologies for Refrigeration, Air Conditioning, Foam, Solvent, Aerosol Propellant, and Fire Protection Applications." (Dieckmann, 1999). All values are estimates and are meant as guidelines and not as default values.

Several of the refrigerants listed in Table 3.9 are blends of HFCs. The composition of these blends is shown in Table 3.10.

**Table 3.10 Composition of Refrigerant Blends**

Blend	HFC-32	HFC-125	HFC-134a	HFC-143a
R404A	-	44%	4%	52%
R407C	23%	25%	52%	-
R507	-	50%	-	50%

Source: EPA (1998)

If the screening calculations of the HFC emissions indicate that they are material, more accurate means of quantification are necessary, as outlined below.

#### **Steps 2-4: Mass-Balance Calculation.**

Tier 2 of the calculations is the more comprehensive, mass-balance approach to obtain accurate HFC emissions. Essentially, the mass-balance method works by tracking the quantity of each HFC used and systematically accounting for uses of this HFC that are not related to emissions. The used HFCs that cannot be accounted for are assumed to have been emitted to the atmosphere. The method has four subcalculations:

- (1) The Decrease in Inventory. This is simply the difference between the quantity of the HFC in storage at the beginning of the year and the quantity in storage at the end of the year. Note that this quantity will be negative if the inventory increases over the course of the year.
- (2) Purchases/Acquisitions of Refrigerant. This is the sum of all the HFC acquired during the year either in storage containers or in equipment.
- (3) Sales/Disbursements of Refrigerant. This is the sum of all the HFC sold or otherwise disbursed during the year either in storage containers or in equipment.
- (4) Change to Total Full Charge of Equipment. This is the net change to the total equipment volume for a given HFC during the year. Note that it refers to the full and proper charge of the equipment rather than to the actual charge, which may reflect leakage. This term accounts for the fact that if new equipment is purchased, the HFC that is used to charge that new equipment should not be counted as an emission. On the other hand, it also accounts for the fact that if the amount of refrigerant recovered from retiring equipment is less than the full charge, then the difference between the full charge and the recovered amount has been emitted. Note that this quantity will be negative if the retiring equipment has a total full charge larger than the total full charge of the new equipment.”

HFCs in inventory refers to HFCs contained in cylinders and other storage containers. It does not refer to HFCs held in operating equipment. Additions and subtractions refer to HFCs placed in or removed from the stored inventory, respectively.

#### **Step 2: Calculate Base Inventory for Each HFC**

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**Table 3.11 Base Inventory**

	<b>Inventory</b>	<b>Amount (kgs)</b>
<b>A</b>	Beginning of year	
<b>B</b>	End of year	

### Step 3: Calculate Changes to Inventory

**Table 3.12 Inventory Changes**

<b>Additions to Inventory</b>		
		<b>Amount (kgs)</b>
1	Purchases of HFCs (including HFCs provided by equipment manufacturers with or inside new equipment)	
2	HFCs returned to the site after offsite recycling	
<b>C</b>	<b>Total Additions (add items 1-2)</b>	
<b>Subtractions from Inventory</b>		
		<b>Amount (kgs)</b>
3	Returns of HFCs to supplier	
4	HFCs taken from storage and/or equipment and disposed of	
5	HFCs taken from storage and/or equipment and sent offsite for recycling or reclamation	
<b>D</b>	<b>Total Subtractions (add items 3-5)</b>	
<b>Change to Nameplate Capacity</b>		
		<b>Amount (kgs)</b>
6	Total full charge of new equipment	
7	Total full charge of retiring equipment	
<b>E</b>	<b>Change to nameplate capacity (subtract item 7 from 6)</b>	

### Step 4: Calculate Total Annual Emissions

$$\text{Total Annual Emissions} = \mathbf{A} - \mathbf{B} + \mathbf{C} - \mathbf{D} - \mathbf{E}$$

This approach is applied to each HFC to obtain the annual mass emissions.

### Discussion

The mass balance approach presents more challenges to the participant to obtain the necessary data than does the screening approach. In many instances the participant may not receive records of the amount of HFC added to the system when it is repaired. For example, when a consumer has a car air conditioning system charged, the consumer rarely knows the amount of HFC-134a added to the system. For the mass-balance approach to work successfully, the reporting entity must obtain all the required information. Although more burdensome than the screening approach, the mass balance approach is required for Registry reporting because it is far more accurate than the screening approach and will allow tracking of actual changes in the participant's emissions.



## **4.0 Emissions Reporting**

Registry participants are required to report their emissions in a consistent manner to promote the accuracy, completeness, and transparency of their emissions estimates. To allow for the greatest level of compatibility with national and international emissions programs, participants must record their annual GHG emissions on a calendar year basis (January – December), though they may submit their reports to the Registry at their convenience any time after the close of the calendar year.

The three principal types of Registry reporting: Baseline, Initial Registration, and Annual Reporting are discussed in the following sections:

Section 4.1 - Baseline Reporting, including:

- Baseline establishment, and
- Baseline adjustments,

Section 4.2 - Initial Registration, and

Section 4.3 - Annual Emissions Report.

### **Required Level of Reporting**

Participants will report the following information for their initial registration and in every annual report 'Report Form'.

All required GHG emissions from each emissions category at each facility within the participating entity. This information will include:

- Total tonnes of CO<sub>2</sub> from each of the five source categories:
  - Stationary Combustion
  - Transportation Emissions
  - Process Emissions
  - Fugitive Emissions
  - Indirect Emissions
- Total tonnes of CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, and SF<sub>6</sub> after the first three years of participation for each of applicable source categories listed above,
- All calculation methodologies used to calculate the material GHG emissions, and
- All emissions factors used to calculate the material GHG emissions.

There are two methods for completing the Report Form:

A participant may enter activity data into the Registry's online calculation tool (see below), which will automatically calculate the necessary emission results and complete the Report Form,

## OR

A participant may enter pre-calculated emission totals from their own calculation tools or management systems.

Either method is acceptable for completing the Report Form.

### Online Reporting

The Registry may require reporting to take place via the Registry's online reporting 'Application' and emissions 'Report Form'. Online reporting is essential for Registry reporting among the diverse spectrum of potential participants. The Registry expects online reporting to be a time-saving, simple exercise to minimize participants' staff needs for reporting.

To facilitate online reporting, participants will have access to a Registry 'Application Help Line' – where they will be able to receive technical support for the application. The Registry staff will assist participants with their online reporting, and will be trained to answer technical reporting questions.

### Public Emissions Results and Confidentiality Issues

The Registry will make the following aggregated **entity** emissions results for each participant available to the public:

- All material direct and indirect emissions of CO<sub>2</sub> (and all other required GHG gases) by source category consistent with a participant's defined organizational boundary and baseline,
- Total gross GHG emissions, and,
- One or more GHG emission ratios that demonstrate emission efficiency (once the Registry establishes emissions ratios).

All facility level (and any additional detailed information) **will not** be disclosed to the public and will be confidential to the respective participant, the Registry, and the certifiers. The Registry is currently developing a more comprehensive confidentiality policy.

### 4.1 Baseline Reporting

Participants in the Registry have the option of establishing a baseline or to begin reporting annual emissions without one. If a participant chooses to report a baseline, they are required to report total baseline emissions at the entity level as defined by their organization boundaries.

#### **4.1.1 Baseline Establishment**

Entities may establish a starting point, or datum, against which to measure their emissions progress over time. As defined by SB 527, “baseline means the datum against which to measure greenhouse gas emissions performance over time, usually annual emissions in a selected base year.” This definition of baseline is referred to as a static baseline. In the absence of any structural changes to the reporting entity, the baseline would remain fixed in time. In this context, base year is defined as the first year of annual emissions recorded with the Registry, or first year.

This type of a baseline should not be confused with a dynamic baseline, which is the trend line of what greenhouse gas emissions would have been over time in the absence of projects to reduce emissions. The definition of baseline as provided in SB 527 is, in fact, equivalent to the definition of base year as provided in the WRI/WBCSD GHG protocol (WRI, 2001). The WRI/WBCSD baseline is an example of a dynamic baseline.

The baseline for reporting to the Registry is generally the participant’s first year of its reporting. Participants in the Registry also have the option of establishing a historical baseline for any year back to 1990, providing they have sufficient data. If a participant chooses to use a historical baseline, it must have complete energy use or fuel consumption data that can be certified for past years. A benefit of establishing a baseline before the current year might be to show reduced GHG emissions from the first year.

After establishing a baseline for emissions results, participants must report their certified emissions results in each subsequent year. If a participant ceases participation in the Registry and returns at a later date, they must fill in the data for the missing years, or establish a new baseline.

#### **4.1.2 Baseline Adjustments**

If a participant chooses to establish a baseline, then the baseline emissions will remain as the participant’s baseline into the future unless changes to the structure of the organization or emissions estimation methodologies require that the baseline be recalculated. The purpose of these adjustments are to ensure that reported increases or decreases in emissions are truly the result of a net increase or decrease in emissions over time, and not merely the result of changes in the participant’s organization or reporting method.

Types of changes in the structure of an organization or its reporting that may require adjustment to the baseline include:

- Acquisitions,
- Mergers,
- Divestitures,
- Outsourcing (contracting activities previously conducted internally),
- Insourcing (conducting activities that were previously contracted), and
- Shifting emissions sources to or from California.

For many organizations, particularly large ones, mergers, acquisitions, and divestitures, as well as the other listed organizational changes, are common occurrences. Rather than requiring baseline adjustments whenever any changes—however insignificant—occur in a participant’s organization, Registry participants will be required to adjust their baseline whenever the cumulative effect of such changes over subsequent years affects their total emissions either up or down by more than 10 percent.

The examples below illustrate how the baseline would be adjusted for various scenarios:

### **Acquisitions**

If Company A, a Registry participant, acquires Company B, and this acquisition increases Company A’s GHG emissions by 10 percent or more, the baseline emissions should be adjusted to create a new baseline that includes Company B’s baseline emissions (provided Company B was in existence at the time Company A established its baseline). If Company B was not in existence in the baseline, Company A’s baseline emissions would not be adjusted, and the increase in emissions would be attributed to organic growth (see below). If the acquisition of Company B led to less than a 10 percent increase in GHG emissions, the baseline would not need to be adjusted unless when combined with other changes to the organization, the cumulative effect was to change the emissions by more than 10 percent.

This example presumes that Company B has data sufficient to establish baseline emissions for the baseline used by Company A. If this were not the case, then Company A would have to choose a new baseline for which both companies have sufficient data to allow the baseline emissions to be certified.

### **Mergers**

Mergers are treated in the same way as acquisitions.

### **Divestitures**

Registry participant, Company C, in deciding to focus on its core business, divests of its X, Y, and Z divisions over a three-year period. Each of these divisions account for four percent of its GHG emissions. Because the cumulative effect of these divestitures after three years would be to reduce the company’s emissions by more than ten percent, Company C will have to adjust its baseline. It will do this by subtracting the baseline emissions of its X, Y, and Z divisions from its baseline.

### **Outsourcing**

As part of their annual reporting, participants are required to attest that they have not outsourced any emissions, or if they have, that these emissions have been subtracted from their baseline. If a participant contracts out activities previously included in its baseline inventory, it treats these activities similar to a divestiture. Emissions associated with the outsourced activity would be subtracted from the baseline emissions.

No adjustments to the baseline will be made for outsourcing of activities that came into existence after the baseline was set. In this context, outsourced activities are considered part of the organic growth of the entity. Also, no adjustments are to be made to the baseline if the outsourced activities are to be reported as indirect emissions.

### **Insourcing**

Insourcing is the converse of outsourcing. If a participant begins to conduct business activities not previously included in its baseline inventory, it treats these activities similar to an acquisition. Emissions associated with the insourced activity would be added to its baseline emissions.

No adjustments to the base line will be made for insourcing of activities that came into existence after the baseline was set. Similar to outsourced activities, they would be considered part of the organic growth of the entity. Also, no adjustments are to be made to the baseline if the insourced activities had been previously reported as indirect emissions.

### **Shifting the Location of Emissions Sources**

For the purposes of reporting California emissions, if a participant shifts operations from other states into California, and the change in its emissions exceeds the 10 percent threshold, the participant will adjust its California baseline in the same manner as for an acquisition. Conversely if a participant shifts operations out of state that result in a reduction of emissions that exceed the 10 percent threshold, it will adjust its baseline to subtract the emissions of these operations.

If a participant reports both statewide and national emissions, changes to its baseline for the purposes of national reporting will be treated in a similar manner. Shifts of operations to outside of the U.S. would result in a reduction in the baseline. Shifts of operations into the U.S. would result in an increase to the baseline, provided the change threshold was exceeded and the operations took place during the baseline year. Participants would thus maintain two baselines: one for California and one for the U.S. as a whole. California annual emissions results would be reported both separately and as part of total U.S. reporting.

### **Change in Emissions Estimation Methodologies**

Baseline emissions should be recalculated for any changes in calculation methodologies if such changes will result in changing total participant emissions in the current reporting year more than 10 percent.

### **Organic Growth or Decline**

There are no baseline adjustments for organic growth or decline. Organic growth or decline refers to increase or decrease in production output, changes in product mix, plant closures, and the opening of new plants that are not the result of changes in the structure of the participant's organization or the result of shifting operations into or out of California (for the purpose of participants recording California-only emissions).

## Discussion

SB 527 establishes the years for which baselines and emissions inventories may be reported and data requirements for establishing a baseline:

### *SEC. 11. 42840*

*(a) Participants shall utilize the following reporting procedures to establish a greenhouse gas emissions baseline, participants shall report their certified emissions for the most recent year for which they have complete energy use and fuel consumption data as specified in this chapter. Participants that have complete energy use or fuel consumption data for earlier years that can be certified may establish their baseline as any year beginning on or after January 1, 1990. After establishing baseline emissions, participants shall report their certified emissions results in each subsequent year in order to show changes in emissions levels with respect to their baseline year. Participants may report annual emission results without establishing an emissions baseline.*

The Registry requirements related to establishing a baseline come directly from these provisions of SB 527.

SB 527 contains several sections that specify when baseline adjustments are necessary:

### *SEC. 11. 42840*

*(4) To ensure that reported emissions reflect actual emissions, participants that outsource production or services shall report emissions associated with the outsourced activity, and remove these emissions from their emissions baseline. The subcontracted entity, if it voluntarily chooses to participate in the registry shall report emissions associated with the outsourced activities it has taken over. Participants shall attest at least once each year that the entity has not outsourced any emissions, or that if it has, that all emissions associated with the outsourced activity have been reported and subtracted from the entity's baseline emissions.*

*(5) To prevent changes in vertical integration within corporations from leading to apparent emissions reductions when in fact no reductions have occurred, the registry shall treat mergers, acquisitions, and divestitures as follows:*

*(A) The emissions baselines of any merged or acquired entity shall be added together, and the registry shall treat the resulting entity as if it had been one corporation from the beginning.*

*(B) In divestitures, the emissions baselines of the affected corporations shall be split, with the effect that the registry shall treat them as if they had been separate corporations from the beginning. If the divested corporation is purchased by another firm, the registry shall treat that purchase as a merger with the purchasing corporation. If the divested corporation remains a separate entity after the divestiture, its registry baseline shall reflect the emissions associated with the entity's operations before the divestiture.*

*Corporations that divest operations may allocate certified emissions results achieved prior to the divestiture among the divesting and the divested entities, and the registry shall adjust their baselines accordingly.*

*(C) Any adjustments for changes in vertical integration shall be verified in the annual emissions certifications required for recordation of emissions results.*

*(6) If a participant changes from statewide to national reporting under this program, changes to its baseline will be treated in a similar manner as changes in vertical integration as described in paragraph (5).*

*(7) To ensure that reported emissions accurately reflect shifts in operations to or from other states, the registry shall adopt, in consultation with the State Energy Resources Conservation and Development Commission, at a public meeting and following at least one public workshop, reporting procedures for participants that choose to report greenhouse emissions on a statewide basis that require participants to show both of the following:*

*(A) Changes in a participant's operations, such as a facility startup or shutdown, that result in a significant and long-term shift of greenhouse gas emissions from California to other states or from other states to California.*

*(B) The corresponding change in the participant's baseline.*

The general concepts of the baseline adjustment rules of the protocol follow the SB 527 legislation. SB 527 does not specify any threshold for when baseline adjustments are required, however. Since it would be unrealistic to require baseline changes, however insignificant, whenever the structure of a participant's organization changed, 10 percent was chosen as a reasonable change threshold. This is significantly higher than the 2.5 percent threshold used in the UK Emissions Trading Scheme.

In addition to the provisions contained in SB 527, the inclusion of insourcing (taking over previously subcontracted activities) and the discussion of organic growth/decline and changes in calculation methods were modeled after the WRI/WBCSD GHG protocol (WRI, 2001)

## **4.2 Initial Registration**

The initial registration process will establish an entity as a participant in the Registry and collect its first year of GHG emissions data. For initial reporting to the Registry, participants will need to supply general information and overall descriptions about their entity's activities in addition to their annual emissions.

### **Required Initial Registration Information**

In their first year of reporting, participants must describe their entity's operations, and report all of their entity's direct and indirect CO<sub>2</sub> emissions, calculation methodologies, and emissions factors. This information could either be automatically entered by the

Registry's online calculation tool, or entered as pre-calculated emissions information from other applications. (First-time participants will contact the Registry to obtain a participant identification (ID) number to access the online application.)

Participants will be required to submit the following information to complete the initial registration process:

- General company or entity information—description of entity's operations and facilities,
- Participation parameters (boundaries, methods, confidentiality, etc.),
- Explanation of methodology for tracking sources of GHG emissions,
- Total direct emissions by the following source categories from each facility:
  - Transportation,
  - Onsite combustion,
  - Process emissions,
  - Fugitive emissions,
- Total indirect emissions (e.g. electricity, imported steam or heating and cooling) from each facility,
- Emissions factors for calculating GHG emissions (if not using default parameters in the Registry Application),
- Participants will also need to explain the methodology for using an emission factor that differs from the Registry's default parameters.

The example below, Table 4.1, shows that a participant operating three facilities in California would be required to report fifteen calculated emissions results (presuming material emissions from each source category), for each GHG reported by the participant.



**Table 4.1: Example of Reporting Participant Source Category Emission Results.**

<b>Participant</b>		
<b>Facility 1</b>	<b>Facility 2</b>	<b>Facility 3</b>
Source Category 1 (Indirect Emissions)	Source Category 1 (Indirect Emissions)	Source Category 1 (Indirect Emissions)
Source Category 2 (Onsite fuel combustion)	Source Category 2 (Onsite fuel combustion)	Source Category 2 (Onsite fuel combustion)
Source Category 3 (Transportation)	Source Category 3 (Transportation)	Source Category 3 (Transportation)
Source Category 4 (Process emissions)	Source Category 4 (Process emissions)	Source Category 4 (Process emissions)
Source Category 5 (Fugitive emissions)	Source Category 5 (Fugitive emissions)	Source Category 5 (Fugitive emissions)

### **Completing the Initial Registration Process**

To complete the initial registration process, a participant must complete the relevant online Report Form, select a certifier, and complete the certification process (see Chapter 5). After successfully completing the first year certification process, a participant's emissions information will be formally entered into the Registry's database.

### **4.3 Annual Emissions Reporting**

On an annual basis, participants will provide the following emissions reporting information using the Registry's online Report Form located on its web site. Similar to the initial registration process, participants may complete this form by either using the Registry's online calculation tool to automatically calculate the required emissions information, **OR** participants may enter pre-calculated emissions information that has been calculated in accordance with this Protocol.

### **Required Annual Reporting Information**

All participants' annual emission reports must contain the following information:

- Participant ID number and contact information,
- All material direct and indirect emissions of CO<sub>2</sub> by source category consistent with a participant's defined organizational boundary and baseline,

- After three years of participation, all material direct and indirect emissions of methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>) by source category consistent with a participant's defined organizational boundary and baseline,
- Total gross GHG emissions,
- One or more GHG emission ratios that demonstrate emission efficiency, as established by the Registry.

Participants will be able to retrieve their previous year's annual Report Form(s) by entering their ID number into the online application. If a participant's facilities and emission categories remain the same from year to year, they will only be required to update the current year's emissions (or activity data, if using the automated calculation tool). The online application will recalculate the corresponding entity-level GHG emissions from the submitted aggregated facility emissions (by emissions category). Upon recalculation, the annual Report Form will be ready for submission to the Registry.

#### **4.4 Optional Reporting Information**

In addition to the required information for both the initial registration and annual emissions reports, participants may also report additional optional emissions information to the Registry. This information may include:

- For the first three years of reporting, the material direct emissions of methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF<sub>6</sub>) by source category consistent with a participant's defined organizational boundary and baseline,
- De minimis emissions,
- Non-required indirect emissions (employee travel, etc.),
- Energy efficiency project descriptions,
- Carbon sequestration or other emission reductions projects, and,
- Energy efficiency or industry specific metrics
- Reduction goals
- Any additional information that might be helpful to participants, the public, the state, or the Registry.

Participants should note that while they are encouraged to report this optional information, the Registry does not require that optional emissions be certified. The Registry will be developing additional guidance on best practices for optional emissions reporting in the future.

## 4.5 Supporting Information

Participants must maintain a range of supporting documentation and information at their offices to allow certifiers to confirm their initial registration, annual emission reports, and any adjustment reports.

At a minimum, participants should maintain the following information for each facility for every year that emissions are reporting to the Registry.

### **Overall Supporting Documentation:**

While some of a participant's explanations and comments about their emissions information will be recorded in the Registry's online calculation tool and Report Form, all participants should ensure that they have documentation of the following types of information at their places of business:

- Description of how emissions are identified and inventoried,
- List of all facilities,
- Description of GHG information management systems (if applicable),
- Description of staff GHG responsibilities,
- Description of the methodologies used to quantify emissions,
- Uncertainties (if available) associated with gathering and measuring emissions data,
- Explanation for using emission factors other than the Registry supplied default parameters,
- Assumptions used in the emissions calculations,
- Explanation of methodologies for identifying de minimis emissions,
- Explanation of any significant emissions changes above the change threshold defined in Section 4.1.2. Examples of causes for significant emissions changes may include:
  - Acquisitions
  - Mergers
  - Divestitures
  - Outsourcing (contracting activities previously conducted internally)
  - Insourcing (conducting activities that were previously contracted)
  - Shifting emissions to or from California
  - Changes in emissions estimation methodologies
- All past Registry Certification Reports,
- Explanation of significant temporary emission changes that may fall below the change threshold, such as business cycle fluctuations, temporary process shut downs, etc.

**Indirect Emission Reporting Documentation:**

Electricity, Steam, District Heating and District Cooling:

- Energy bills for energy imported to all sites within a participant's boundary,
- Energy invoices for all energy exported from a participant's boundary.

**Direct Emission Reporting Documentation:**

Transportation:

- Vehicle inventory (number of each type of vehicle, model, year, registration number, and location),
- Total fuel (any fuel type) consumed by each vehicle type OR total annual vehicle miles traveled by each vehicle type.

Onsite Combustion:

- Boiler, chiller, and co-generation engine inventory (number of each type of plant, permit number, size, description of use, and location),
- Fuel consumption for each type of plant,
- Emissions factors for fuel or process efficiency (if more specific or accurate than the Registry default factors).

Process:

- Details on specific process related emissions sources (necessary for Registry to calculate emissions),
- Parameters used to estimate emissions from each type of source.

Fugitive:

- Details fugitive emissions sources (necessary for Registry to calculate emissions),
- Parameters used to estimate emissions from each type of source.

**Discussion**

The following sections of the SB 527 legislation are applicable to reporting requirements of the voluntary program:

*SEC. 11. 42840*

*(a) Participants shall utilize the following reporting procedures to establish a greenhouse gas emissions baseline, participants shall report their certified emissions for the most recent year for which they have complete energy use and fuel consumption data as specified in this chapter. Participants that have complete energy use or fuel consumption data for earlier years that can be certified may establish their baseline as any year beginning on or after January 1, 1990. After establishing baseline emissions, participants shall report their certified emissions results in each subsequent year in order to show changes in emissions levels with respect to their baseline year. Participants may report annual emission results without establishing an emissions baseline. Participants shall also report using industry-specific metrics once the registry adopts an industry-specific metric for the industry in question.*

*SEC. 11. 42840*

*(b)(1) Participants shall report direct emissions and indirect emissions separately. Direct emissions are those emissions from applicable sources that are under management control of a participating entity, including onsite combustion, fugitive noncombustion emissions, and vehicles owned and operated by the participant. Indirect emissions that are required to be reported by participants are those emissions embodied in net electricity and steam imports, including offsite steam generation and district heating and cooling. Participants are encouraged, but are not required, to report other indirect emissions based on guidance that is adopted by the registry.*

*SEC. 11. 42840*

*(b)(4) Participants shall not be required to report emissions of any greenhouse gas that is de minimis in quantity, when summed up across all applicable sources of the participating entity.*

*SEC. 11. 42840*

*(c)(1) All participants shall report direct and indirect carbon dioxide (CO<sub>2</sub>) emissions that are material to their operations.*

*(2) The registry shall also encourage participants to monitor and report emissions of the following gases: (A) Hydrofluorocarbons (HFCs), (B) Methane (CH<sub>4</sub>), (C) Oxides of nitrogen [sic] (N<sub>2</sub>O), (D) Perfluorocarbons (PFCs), (E) Sulfur hexafluoride (SF<sub>6</sub>).*

*(3) The report of information specified in paragraph (2) is optional for three years after a participant joins the registry. After participating in the registry for a total of three years, participants shall report emissions required by both paragraphs (1) and (2).*

*(4) Emissions of all gases under this subdivision shall be reported in mass units.*

The reporting guidelines described above are in accordance with the reporting requirements of SB 527. The description of information to be reported to the Registry and maintained by the participants were developed based on the collective review of the WRI/WBCSD GHG protocol (WRI, 2001), the Australia Greenhouse Challenge program (AGO, 1999), the UK Emissions Trading program (DEFRA, 2001a; 2001b), the U.S. DOE 1605b voluntary program (EIA, 1994; 2001b), U.S. EPA Climate Leaders Program (EPA, 2002), and Canada's Climate Change Voluntary Challenge program (VCR, 1999).

## **5.0 Certification**

Certification is key to achieving the Registry's stated purpose of enabling the state to provide appropriate consideration of registered emissions results in any future international, national, or state regulatory scheme. It is also important for the participants to know that an independent and qualified third-party certifier has certified their data.

### **5.1 Certification Background**

Senate Bill 527 requires that participants registering baseline emissions and emissions results in the Registry provide certification of their methodologies and results. Therefore the Registry will require that emissions data submitted to it be certified. In addition, the Energy Commission is required to develop guidance to the Registry and the Registry is required to establish procedures and protocols to certify greenhouse gas emissions baselines and emissions. The Certification Protocol is part of that process. Its purpose is to provide a uniform standard for third-party certifiers to follow when conducting certification activities and to ensure the integrity of the certification program.

It is expected that different companies will have different goals and objectives in participating in the Registry. Among these may be simply learning about their operations and gaining practice in estimating greenhouse gas emissions, using the data obtained for promotional activities, and ensuring credit for greenhouse gas emissions reductions achieved prior to any regulatory regime. Although participants may enter the Registry with these different objectives in mind, since all data must be certified, it all must meet a certain minimum quality standard.

Certification is the method by which the data are ensured to be of a high enough quality, meaning complete, consistent, accurate, and transparent. SB 527 defines certification as follows:

“Certification” means the determination of whether a given participant's greenhouse gas emissions inventory (either baseline or annual result) has met a minimum quality standard and complied with an appropriate set of registry-approved procedures and protocols for submitting emissions inventory information.

#### **5.1.1 Minimum Quality Standard**

A primary goal of the Registry is to have confidence in the data stored at the Registry. It is possible that during the certification processes differences will arise between the emissions totals determined by the certifier and the totals determined by the Registry participant. A minimum quality standard that would provide this confidence is that all participants' data should be at least 95 percent accurate on an entity-wide basis.

Ensuring that all cumulative data is at least 95 percent accurate is equivalent to ensuring that all cumulative data is no more than 5 percent inaccurate. A certifier could recheck

all data to ensure the cumulative accuracy is greater than 95 percent. On the other hand, a certifier could check possible sources of error (far less data) to demonstrate that the cumulative inaccuracy does not exceed 5 percent. The latter method would be the most efficient and least costly approach to certification.

Differences between emissions results reported by the participant and those determined by the certifier may be classified as either material (significant) or immaterial (insignificant). A discrepancy is considered to be material (significant) if the reported result differs from the result determined by the certifier by at least 5 percent. A difference is immaterial (insignificant) if it is less than 5 percent.

The Registry requires that emissions be certified as meeting a minimum quality standard or to be "free of material misstatement." Free of material misstatement means that the emissions results reported by the participant are within 5 percent of those determined by the certifier. Material misstatement may apply to facilities, specific emissions sources or types of sources or to the total reported emissions of the Registry participant. For the purpose of providing an overall evaluation of the emission results submitted to the Registry, certifiers will consider material misstatement of the total reported emissions.

The examples below are intended to help certifiers determine when the reported emissions results are free of material misstatement.

**Example 1:** A participant has four facilities and has estimated and reported their total emissions in CO<sub>2</sub> Equivalent (CO<sub>2</sub> Eq.) units as shown below. The certifier, as part of certification, calculated the emissions of those four facilities as shown below. The participant was found to have overestimated Facilities 1 and 4 and to have underestimated Facilities 2 and 3. The difference between the participant reported and certifier's estimate of emissions from Facility 1 was 7.5 percent of the certifier's emission result and was, therefore, considered to be a material difference. Facility 3 was also found to be materially different from the certifier's result, with a difference of 10.3 percent. The other two differences (Facilities 2 and 4) are considered immaterial as they are less than 5 percent. The total emissions results are, however, free of material misstatement because the total reported emissions differ from the total certifier estimate of emissions by less than 5 percent. The certifier would, in this case, report that the participant's results are free of material misstatement, but would also specify that the emissions estimates from Facilities 1 and 3 did have material differences.

	Participant-calculated Emissions (tonnes CO <sub>2</sub> Eq.)	Certifier-calculated Emissions (tonnes CO <sub>2</sub> Eq.)	Difference (% of Certifier's Estimate)	Material?
Facility 1	10,000	9,300	700 (7.5 %)	Yes
Facility 2	65,000	66,500	1,500 (2.3 %)	No
Facility 3	20,000	22,300	2,300 (10.3 %)	Yes
Facility 4	5,000	4,800	200 (4.2 %)	No
<b>Total</b>	<b>100,000</b>	<b>102,900</b>	<b>2,900 (2.9 %)</b>	<b>No</b>

**Example 2:** A participant has four sources and estimated and reported their total emissions as shown below. The certifier, as part of certification, calculated the emissions of those four sources as shown below. The participant was found to have overestimated Source 4 and to have underestimated Sources 1, 2, and 3. The difference between the reported and certifier estimate of emissions from Source 2 was 6.1 percent of the certifier's result and was, therefore, considered to be a material difference. Source 3 was also found to be materially different from the certifier's result, with a difference of 8.7 percent. The other two differences (Sources 1 and 4) are considered immaterial as they are less than 5 percent. Despite the fact that the results from half of the sources are free of material misstatement, the overall emissions results are **not** free of material misstatement because the total difference is 5.7 percent. The certifier would, in this case, report that the participant's results are **not** free of material misstatement and would provide details to the participant explaining the basis for this determination.

	Participant-calculated Emissions (tonnes CO <sub>2</sub> Eq.)	Certifier-calculated Emissions (tonnes CO <sub>2</sub> Eq.)	Difference (% of Certifier's Estimate)	Material?
Source 1	10,000	10,200	200 (2.0 %)	No
Source 2	65,000	69,200	4,200 (6.1 %)	Yes
Source 3	20,000	21,900	1,900 (8.7 %)	Yes
Source 4	5,000	4,800	200 (4.2 %)	No
<b>Total</b>	<b>100,000</b>	<b>106,100</b>	<b>6,100 (5.7 %)</b>	<b>Yes</b>

### 5.1.2 Certification Process

In the certification process, the minimum quality standard is no material misstatement of a participant's reported inventory on an entity-wide basis.

Therefore, the certification process should focus on areas likely to have the greatest uncertainty and impact on total emissions results. By determining that the most likely sources of error are, in fact, within an acceptable range of accuracy, the certifier can be assured that the cumulative reported results meet the minimum quality standard. The process by which this is accomplished is to understand and assess the participant's management systems. This is done in order to develop a certification plan focused on those areas with the weakest management systems and largest impacts on the total emissions inventory.

Without an assessment of the management systems, the certifier would have to sample a larger number of sources to gain the same level of confidence than if the certifier had assessed management systems and appropriately selected a smaller number of sources to sample. Based on this assessment of management systems, the certifier will be able to select the sample set more efficiently, minimizing the cost of certification.



For example, assume participant A has designated personnel trained in estimating GHG emissions and that these personnel have developed its emissions inventory. Further assume that participant B does not have any trained personnel involved in developing its inventory. The certifier will likely have to spend additional time reviewing data and calculations to be assured that the inventory is accurate. On the other hand, if the certifier does not evaluate the training and expertise of the participant's staff, then the certifier should not assume that staff have any training. The certifier then would spend more time checking data and calculations.

One of the underlying purposes of examining management systems is to evaluate whether the participant has a program in place for the preparation and submission of emissions inventory data to the Registry. This evaluation is required by SB 527.

SB 527 includes a description of the process for determining the minimum standard for certification.

*Where required by the registry for certification, organizations approved pursuant to subdivision (b) shall do all of the following:*

- (1) Evaluate whether the participant has a program, consistent with registry-approved procedures and protocols, in place for preparation and submittal of the information reported under this chapter.*
- (2) Check, during certification, the reasonableness of the emissions information being reported for a random sample of estimates or calculations.*
- (3) Summarize its review in a report to the board of directors, or equivalent governing body, of the participating entity, attesting to the existence of a program that is consistent with registry-approved procedures and protocols and the reasonableness of the reported emissions results and noting any exceptions, omissions, limitations, or other qualifications to their representations.*

In order to ensure consistency in the application of certification and to ensure the credibility of the Registry, the Certification Protocol expands upon this short description and provides certifiers the guidance necessary to implement the certification requirement found in the statute.

The Certification Protocol is based on the guidance provided in the Reporting Protocol. The Reporting Protocol should be consulted by the certifier for clarification of reporting requirements. All definitions presented in that document are applicable within the Certification Protocol as well.

### **5.1.3 Site Visits**

Depending on participants' attributes, as described below, site visits are most often considered necessary to ensure the integrity of the certification process. The number of a

participant's sites that will require a visit will vary based on participant attributes. Within the guidelines provided below, it is expected that each certifier will use appropriate professional judgment in determining how many and which sites will require a visit during certification; this determination will take into account the diversity of facilities being reported.

In most cases, the first step for a certifier to take will be to make contact (e.g. telephone, visit, etc.) with the participant's primary contact at the participants central office. During this contact, the certifier and participant would further establish the appropriate scope for certification. As guidance for that scope, the following table is provided for selecting the number of sites to visit. Consideration should also be given to visiting those facilities that have a potential impact on the overall accuracy of the participant's reported emissions results. The certifier may substitute conference calls for some of the additional site visits if the certifier judges that this is adequate, although site visits are preferred.

Total Sites	Suggested Minimum Sample Size
2-10	30%
11-25	20%
26-50	15%
51-100	10%
101-250	5%
251-500	3%
501-1,000	2%
Over 1,000	1-2%

## **5.2 Recommended Accommodation For Participant Certification Categories**

SB 527 states that the process for certification of emissions results may involve a range of options depending upon the nature of the emissions, complexity of a company's facilities and operations, or both, and the procedures deemed necessary by the Registry Board to validate a participant's emissions information. The certification process outlined below provides accommodation for participant categories based on the participant's size and complexity as well as the means by which the participant provides information to the Registry.

Certification of emissions data for an entity that is a small organization with simple operations should reflect these entity attributes. It should be possible for a certifier to reach an appropriate level of confidence in this type of entity's reported data with less effort than that expended on a larger, more complex entity. Therefore, in keeping with the direction provided in SB 527, the Energy Commission recommends that certification accommodations should distinguish between the small organizations with simple operations and others.

The Registry anticipates that it will make available an on-line calculation tool to assist participants in calculating their emissions inventories. Participants that choose to use this tool would enter their activity data for their various source categories, choose the

appropriate emissions factors, and enter other relevant data. The calculation tool would then automatically calculate the participant's inventory and provide a customized report of their data and other relevant information. On the other hand, participants may choose not to use the calculation tool; in this case, the participant would provide their own calculated emissions results and other required information.

By using the Registry's calculation tool, participants will provide more data, in more detail, than the participants that choose to provide only their calculated emissions results. The certification process should reflect the amount of information provided to the Registry. That is, the more information provided to the Registry, the less in-field gathering of information that should be required during the certification process. Conversely, more in-field information will necessarily be gathered during certification for participants that have not provided additional information via the calculation tool. Thus, certification accommodations should also distinguish between participants that have provided information via the calculation tool and those that have not.

### **5.2.1 Small Size Participants With Simple Operations**

The simplest certification process would be for a participant with only one site and only indirect emissions (electricity, district heating or cooling) and emissions from natural gas supplied by a utility. Such a participant would require a site visit only if deemed necessary by the certifier, with subsequent visits recommended if any characteristics of the participant changed (e.g., new sites, changed location, begin new operations). The certifier may interview the participant by telephone to receive answers to questions he or she might have about information submitted to the Registry and to determine the need for a site visit. The site visit would be used to ensure that all material greenhouse gas emissions sources have been included and appropriately accounted for, and to gain a better understanding of the participant's operations and characteristics.

The certifier would then review any processes in place for greenhouse gas emissions reporting and any utility bills or other data and documentation used to calculate emissions. The data review can be completed away from the participant's site. Possible locations for the data review include the certifier's office or possibly the Registry itself. Once the certifier is satisfied that the participant's only emissions are the result of purchased utilities, the only data that would need to be reviewed would be the utility bills and associated documentation.

### **5.2.2 Larger Participants Or Complex Operations**

For a participant of larger size or with complex operations, a more complex certification process is necessary. A first time site visit would be required, as would subsequent site visits every third year in order to ensure that all material greenhouse gas emissions sources have been accounted for appropriately and to review any changes that may have occurred during the previous years. In addition, the certification process for the first year in the three year cycle would be more in-depth than the other two years and would review data from the intervening years, as necessary. A more in-depth certification would also be required in intervening years whenever a participant's emissions inventory exceeds a

change threshold of 10 percent. A management system review would also be conducted in the event of an emissions change exceeding this threshold.

Sampling techniques would be utilized to review data based on priorities assigned during the management system review, with aspects having higher uncertainty and impact getting more attention. If the participant has multiple sites, not all sites will be required to be visited, although multiple sites may be visited by the certifier based on sampling techniques. The certification process for a participant that chooses to report on a nationwide basis would be the same as for a participant that chooses to report on a California basis only.

### **5.2.3 Larger Participants And Reporting Via The Registry On-line Calculation Tool**

Beyond the size and complexity of the participant, a further distinction in the certification process will be based upon whether or not a participant chooses to use the Registry on-line calculation tool. As discussed above, both participants that use the tool and those that do not will require a similar certification process; however, for the participants that use the on-line tool, the certification process would require less preparatory effort on the part of the certifier and perhaps, fewer site visits. This should make for a less expensive and expedited certification process.

## **5.3 Independent Certification Principles**

The purpose of certification is to provide an independent review of data and information being submitted to the Registry to ensure that they meet certain quality criteria. The definition of certification provided in SB 527 states that certification is to determine, among other criteria, whether a given participant's GHG emissions inventory has met a minimum quality standard and whether a participant has a program consistent with a Registry approved protocol. As elaborated in this Certification Protocol, for this certification process, a minimum quality standard is a material misstatement of a participant's reported inventory of less than 5 percent on an entity-wide basis.

To fulfill the purpose of certification, the independent certification process maintains the criteria of completeness, consistency, accuracy, and transparency as its underlying principles.

***Completeness.*** One principle of certification is to ensure accounting of all material greenhouse gas emissions sources and activities within the specified scope of the participant's inventory. Ensuring that baseline and annual emissions results include all sources that are not de minimis in quantity and that proper accounting for vertical integration occurs are included as part of the certification process.

***Consistency.*** Reporting by participants must allow meaningful comparison of emissions performance over time. Independent certification, therefore, ensures that consistent methodologies and measurements are used between the baseline results and annual emissions results. Changes to the baseline are reviewed as part of certification and are noted by the certifier to ensure appropriate comparisons.

**Accuracy.** The basis of certification is to ensure that entity-wide reported data are within the materiality threshold of 5 percent of the certifier's estimate of emissions results. Independent certification ensures that calculations and estimations are as accurate and as precise as necessary to prevent material errors.

**Transparency.** Certification does not only provide an additional check on the transparency involved in reporting greenhouse gas emissions, it also is a transparent exercise itself. Certification activities are clearly and thoroughly documented to provide the ability for outside reviews to be undertaken, if desired by the Registry and participants.

#### **5.4 Independent Certification Process**

Prior to certification, the participant and certifier will enter into contractual arrangements for certification as each party deems necessary and as required by Registry protocols. Further, before initiating the certification process, the participant and certifier must provide certain preliminary information to the Registry and Energy Commission.

- The participant must register with the Registry and provide initial information as described in Chapter 4 of the General Reporting Protocol.
- The certifier must notify both the Registry and the Energy Commission at least two weeks before any certification activity. This notification period is necessary to allow the Energy Commission the opportunity to accompany the certifier on visits to the participants' sites as specified by SB 527. . A certifier that does not provide proper notification to the Registry and Energy Commission may be disqualified as a state-approved certifier.

After these necessary steps have been fulfilled the participant and certifier may proceed with the certification process.

The independent certification process consists of five steps: 1) initiating data review, 2) understanding management systems, 3) identifying sources, 4) confirming emissions data, and 5) evaluating and reporting findings. All five steps would be thoroughly undertaken on the participants first year of registration, every four years thereafter, and in any year where a participant's emission inventory exceeds a change of 10 percent. A more streamlined certification process is permitted every second and third year of a three-year cycle. This streamlined process would minimize the first three steps (i.e., initiating data review, understanding management systems, and identifying sources). The last two steps, confirming emissions data, and evaluating and reporting findings, would be the focus of the second and third year streamlined certification process.

**Initiating Data Review.** The first step in certification is to initiate contact between the participant and the certifier. As required by SB 527, the participant and certifier will schedule any meeting(s) in advance and allow the participant to control property access. The certifier may then obtain some of the information necessary to commence

certification and to begin to form a plan for certification activities. This step also includes any initial onsite activities, including site tours and initial meetings. It is also at this point that the certifier describes the actual certification process being followed and what participants should expect from the certifier throughout the process.

***Understanding Management Systems.*** The next step in certification is to review and understand the management systems in place for gathering information and estimating and reporting greenhouse gas emissions. This provides the certifier with the necessary basis for evaluating the processes and programs the participant has in place as part of their participation in the Registry.

Once the certifier understands the management systems in place, those programs and processes are evaluated to assess the relative uncertainty and impacts associated with each aspect of the participant's estimation and reporting of greenhouse gas emissions. If a participant has strong management systems in place to gather information necessary for estimation and reporting of a small emissions source, that source would be assigned a relatively low uncertainty and impact weighting. On the other hand, if the participant has weak management systems in place to handle large sources of emissions, those sources would be assigned relatively high uncertainty and impact weights.

***Identifying Sources.*** This step includes the process of reviewing the participant's operations to identify applicable greenhouse gas emissions sources. It includes reviewing the emissions inventory as well as each type of emission source (stationary combustion, transportation, indirect, process, and fugitive) to ensure that all applicable sources are properly included or excluded from the inventory. The results from this step are used to better focus efforts during the next step.

***Confirming Emissions Data.*** SB 527 specifies that certification is to include a random sampling exercise. However, this does not mean that samples are arbitrary.

A sample should represent, to some degree, the underlying data that are being certified. If a sample does not adequately represent the underlying data, the sample can yield results that are not representative of the participant's overall emissions reporting.

For example, if a participant from the oil and gas industry has three large refineries and 3,000 small retail outlets, an arbitrary selection of facilities from a complete listing of facilities would likely result in no refineries being visited, but only retail facilities. Clearly, this would not provide the necessary confidence in the reported data. A stratified random could take into account the diversity of the facilities being reported. That is, a random sample among the 3,000 small retail outlets would be compiled as well as a sample of one of the refineries. These are necessary considerations in the certifier's determination of relative risk.

It is not expected that a certifier will review all documents and recheck all calculations. Rather, the process includes evaluating which areas have greatest uncertainty and impact and checking those more thoroughly than other areas that have less uncertainty and

impact. The information obtained in the previous step is used to ensure that an appropriate amount of effort is used in sampling the data. To ensure, on an entity-wide basis, that data meet a minimum quality standard, it is most efficient to demonstrate that the areas that have the greatest uncertainty and highest impacts are free of material misstatement.

By utilizing this approach of assessing uncertainties and impacts on the emissions inventory and then focusing certification efforts appropriately, the process is more efficient. Such an approach requires less review of data to achieve the same degree of confidence. This process should provide the least expensive approach to ensuring the minimum data quality as specified in SB 527.

Confirming emissions data is the step that requires the most effort and is the one that yields the most information on the quality of the data reported.

***Evaluating And Reporting Findings.*** Once the data are reviewed, the findings from that review are evaluated against the minimum quality standard. The final step is issuing the certification report to the appropriate body within the participant's organization. In most cases this will be the board of directors or other management entity. As part of this report, the certifier will issue a statement regarding the quality of the data. The certifier will issue an opinion that the data be certified, certified with qualifications (some areas need improvement), or not certified and submit it to the appropriate body within the participant and the Registry.

The Registry could thereafter certify the participant's reported data based on the certifier's opinion. Should the Registry choose not to certify the participant's reported data based on a certifier opinion that does not recommend certification, the participant would need to consider additional steps in obtaining certification of their data. The participant would need to address deficiencies noted by the certifier either on their own or with the help of a technical assistant. It should be noted that the certifier can not provide technical assistance services to the participant as this would be a conflict of interest, but can only provide an opinion on the participant's data available at the time of the certification process. Should the participant choose, after correcting any deficiencies, they may then contract with the same, or another, certifier to provide another certification opinion.

## **5.5 Record Keeping and Retention**

Regardless of which certification accommodation a participant may be subject, there are certain record keeping and retention policies that should be followed. Aside from being impractical for the Registry to maintain all the necessary records for each participant, not all participants will be submitting sufficient data from which to certify emissions results. Each participant should maintain any relevant records from which emissions results have been calculated. Such records may include, but not be limited to, utility bills, fuel consumption records, emissions data, process data and schedules, and past reports. Although it is not possible to predict what any future regulatory regime may require regarding record keeping and retention, it is impractical to require participants to retain records indefinitely. It is, however, inadvisable for participants to dispose of relevant

records immediately after filing emissions reports. This would hinder any future certification or review activities, putting the participant at a disadvantage in case of some need to re-estimate the emissions results. In addition, baseline inventory data is key to determining temporal trends in greenhouse gas emissions. While it is impractical to require participants to retain records indefinitely, it is advised that participants evaluate retention periods to ensure adequate data availability for future reviews.

## **Discussion**

SB 527 contains a large number of sections that relate to certification:

### *SEC. 4.*

*(e) The state hereby commits to use its best efforts to ensure that organizations that establish greenhouse gas emissions baselines and register emissions results that are certified in accordance with this chapter receive appropriate consideration under any future international, federal, or state regulatory scheme relating to greenhouse gas emissions. The state cannot guarantee that any regulatory regime relating to greenhouse gas emissions will recognize the baselines and annual results recorded in the registry.*

### *SEC. 5.*

*(c) "Certification" means the determination of whether a given participant's greenhouse gas emissions inventory (either baseline or annual result) has met a minimum quality standard and complied with an appropriate set of registry-approved procedures and protocols for submitting emissions inventory information. The process for certification of emissions results will be specified within the procedures and protocols approved for industry-specific emissions inventory reporting, and may involve a range of options depending upon the nature of the emissions, complexity of a company's facilities and operations, or both, and the procedures deemed necessary by the registry board to validate a participant's emissions information.*

### *SEC. 6. The purposes of the California Climate Action Registry shall be to do all of the following:*

*(c) Enable participating entities to voluntarily record greenhouse gas emissions made after 1990 in a consistent format that is certified.*

*(d) Ensure that sources in the state receive appropriate consideration for certified emissions results under any future federal regulatory regime relating to greenhouse gas emissions.*

### *SEC. 8.*

*(a) The procedures and protocols for monitoring, estimating, calculating, reporting, and certifying greenhouse gas emissions established by, or approved pursuant to, this chapter shall be the only procedures and protocols recognized by the state for the purposes of the registry, as described in Section 42810. These*



*procedures shall be, to the extent practicable, consistent with the methods and practices used for the statewide inventory of greenhouse gas emissions prepared by the State Energy Resources Conservation and Development Commission, as required by Section 25730 of the Public Resources Code.*

*SEC. 9. The registry shall perform all of the following functions:*

*(c) Adopt procedures and protocols for certification of reported baseline emissions and emissions results. When adopting procedures and protocols for the certification, the registry shall consider the availability and suitability of simplified techniques and tools.*

*(f) Maintain a record of all certified greenhouse gas emissions baselines and emissions results. Separate records shall be kept for direct and indirect emissions results. The public shall have access to this record, except for any portions of a participant's emissions results that a participant may deem confidential.*

*SEC. 13.*

*(a) Participants registering baseline emissions and emissions results in the registry shall provide certification of their methodologies and results. The registry board may, upon recommendation of the State Energy Resources Conservation and Development Commission and the state board, following a public process, adopt simplified procedures to certify emissions results as appropriate. Participants shall follow registry-approved procedures and protocols in determining emissions, and supply the quantity and quality of information necessary to allow an independent ex post certification of the emissions baseline and emissions results reported under this program.*

*(b) The registry shall adopt a list of approved third-party organizations recognized as competent to certify emissions results as provided in this chapter. The process for evaluating and approving these organizations shall be developed in coordination with the State Energy Resources Conservation and Development Commission. The registry may reopen the qualification process periodically in order for new organizations to be added to the approved list.*

*(c) As appropriate, the registry shall refer participants to the organization on the approved list described in subdivision (b).*

*(d) Where required by the registry for certification, organizations approved pursuant to subdivision (b) shall do all of the following:*

*(1) Evaluate whether the participant has a program, consistent with registry-approved procedures and protocols, in place for preparation and submittal of the information reported under this chapter.*

*(2) Check, during certification, the reasonableness of the emissions information being reported for a random sample of estimates or calculations.*

*(3) Summarize its review in a report to the board of directors, or equivalent governing body, of the participating entity, attesting to the existence of a program that is consistent with registry-approved procedures and protocols and the reasonableness of the reported emissions results and noting any exceptions, omissions, limitations, or other qualifications to their representations.*

*(e) In conducting certification for a participant under this program, the approved organization shall schedule any meeting or meetings with the participant in advance at one or more representative locations and allow the participant to control property access. The meetings shall be conducted in accordance with a protocol that is agreed upon in advance by the participant and the approved organization. The approved organization shall not perform facility inspection, direct measurement, monitoring, or testing unless authorized by the participant.*

*(f) To ensure the integrity and constant improvement of the registry program, the State Energy Resources Conservation and Development Commission shall perform on a random basis an occasional review and evaluation of participants' emissions reporting, certifications, and the reasonableness of the emissions information being reported for analysis of estimates or calculations. The commission shall report any findings in writing to the registry. The registry shall include a summary of these findings in the biennial report to the Governor and the Legislature required by Article 5 (commencing with Section 42860).*

SB 527 makes extensive mention of certification. It directs the Registry to consider simplified certification techniques. It does not, however, suggest what these simplified techniques might entail.

Based on the range of possible objectives companies may have for participating in the Registry and the different certification necessities, there are two main options:

- Self Attestation
- Independent Certification

The level of rigor with which emissions results are reviewed varies from minimal to significant, and each option has its own benefits and drawbacks as discussed and presented below.

### ***Self Attestation***

For self attestation, the participant would sign the results asserting to the validity of the information submitted to the Registry. The benefit from this type of certification is that the participant would be able to participate in the Registry and obtain recognition for it. This option is also the less expensive of the two, since all that is required is for the reporter to attest to its validity. The primary drawback is that, because the results are not independently certified, the state would not be able to use its best efforts to ensure that

the participant receives appropriate consideration under a future regulatory scheme relating to greenhouse gas emissions.

For self attestation, the participant may have internal reviewers evaluate the inventory data submitted to the Registry following the accepted certification protocol and confirm the accuracy of the information. The benefits from this certification are that a participant would be able to participate in the Registry and obtain recognition for it, and learn from the process. The internal reviewing group would be able to provide the organization with suggestions for improving upon the data gathering systems or estimates used. This would help them prepare for third party certification. The costs for such a review would vary based on the participant's operations and complexity, but would be minimal to moderate.

### ***Independent Certification***

Independent certification is the more rigorous of the two options and includes a more in-depth review of participant's greenhouse gas emissions programs and results than the other options. Although this is the case, the independent certification process is not meant to be onerous or excessive. Because of the need to certify that all appropriate and material greenhouse gas sources have been included in the inventory, site visits may be required. Site visits to all facilities of a company are not, however, required. The process is anticipated to include a visit to a participant's corporate headquarters or other central location. The certifier can then meet with the people responsible for compiling emissions results from the other sites and can devise a plan to conduct telephone interviews with a sample of sites and visit a smaller sample of operational sites. Smaller participants, however, may only require minimal effort to conduct independent certification. For these entities, a short site visit, perhaps as little as one hour, will be needed to verify sources, followed by verifying the data and assumptions used in calculating emissions. The range of effort required for independent certification is anticipated, therefore, to range from one day, including a one-hour site visit, to several work days for the largest participants.

Although self attestation certification has minimal costs and is, therefore, attractive to participants, it does not fulfill the statutory requirement of independent certification by an approved third-party certifying organization. In addition, the lack of an external review of processes for data submitted to the Registry would limit assurances of the data's quality and would not permit the state to use its best efforts to support the reported data. This is one of the prime purposes of the Registry, which would be negated if such a certification process were adopted. Recognizing this concern, independent certification is recommended as the certification method for Registry participants.

The cost for independent certification will also vary significantly, based on level of effort required and the rates for individual certifiers. Independent certification will be based on the protocol adopted by the Registry. The protocol will include systematic directions for conducting certification activities, although not all of the protocol will be applicable to all operations and participants. Consequently, the protocol is a guideline to be followed by certifiers, but does not take the place of professional judgment on the part of the certifier.

Within independent certification there are different options for how the certification is conducted, depending upon the size and complexity of a participant. The prime differences between the options are the requirement or recommendation for a site visit and the frequency of such site visits. For the smallest participants, site visits are not required, but may be requested by the certifier. The certifier may request a site visit if, for example, there are inconsistencies in the information submitted to the Registry or if telephone conversations with the participant lead the certifier to question the completeness of the submitted information. Following certification in the first year, subsequent site visits for smaller participants are recommended only if the characteristics of the participant have changed in the interim. Absent any changes, the certifier may simply need to conduct checks on a sample of the data being reported and review any relevant management systems to ensure that they have not changed either. The benefit of not conducting site visits and in-depth reviews every year is that the expenses associated with certification are reduced. This is meant to encourage participation and reduce the burden on the smallest participants.

For large and complex participants, however, more in depth reviews are necessary to ensure that greenhouse gas emissions data are complete, consistent, accurate, and transparent. A site visit is required in the first year to ensure that all appropriate emissions sources have been accounted and to gain a better understanding of the participant's operations. The certification process in that first year will also be more extensive to review management systems and a sample of reported data. If a participant has multiple sites, a sample of those sites may be visited at the discretion of the certifier. In subsequent years, site visits will be required every third year and for any year in which a material change of 10 percent or greater in emissions occurs. The certification process for the fourth year reviews will be similar to the first year review and will also include a review of the previous two years' data, as necessary. The purpose of periodic in-depth reviews is to reduce certification activities that merely add to cost with little or no change in the Registry's or state confidence in the reported results. By only conducting the most rigorous reviews every four years and for years in which changes have occurred, the costs to the participants will be reduced. Furthermore, the use of the registry on-line calculation tool can reduce costs in the certification process by requiring less preparatory work on the part of the certifier and perhaps fewer site visits.

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## Appendix: A. Boundaries and Reporting Comparison Table

**Table A1. GHG Reporting, in California, U.S., and International Programs**

	Specific Programs		
Protocol Elements	<p>SB 527 Legislation</p> <p><b>Referenced Document:</b> Senate Bill SB 527, October 13, 2001 <a href="http://www.energy.ca.gov/global_climate_change/documents/2001-11-30_SB_527.PDF">http://www.energy.ca.gov/global_climate_change/documents/2001-11-30_SB_527.PDF</a></p>	<p>DOE 1605b</p> <p><b>Referenced Documents:</b> <sup>5</sup> Voluntary Reporting of Greenhouse Gases under Section 1605(b) of the Energy Policy Act of 1992, General Guidelines, US DOE, Washington, DC, October 1994. <a href="http://www.eia.doe.gov/oiaf/1605/1605b.html">http://www.eia.doe.gov/oiaf/1605/1605b.html</a> <sup>6</sup> Instructions for Form EIA-1605 Voluntary Reporting of Greenhouse Gases For Data Through 2000, US DOE, Washington, DC, Feb. 2001. <a href="http://www.eia.doe.gov/pub/oiaf/1605/cdrom/pdf/1605INST00.pdf">http://www.eia.doe.gov/pub/oiaf/1605/cdrom/pdf/1605INST00.pdf</a> <sup>7</sup> Recording Transfers and Retirement of Greenhouse Gas Reductions in the Voluntary Reporting Program, unpublished white paper. <a href="http://www.eia.doe.gov/oiaf/1605/trade.html">http://www.eia.doe.gov/oiaf/1605/trade.html</a></p>	<p>WRI/ WBCSD Protocol</p> <p><b>Referenced Document:</b> The Greenhouse Gas Protocol: a corporate accounting and reporting standard, World Business Council for Sustainable Development, World Resources Institute, Washington DC, October, 2001. <a href="http://www.ghgprotocol.org/standard/ghg.pdf">http://www.ghgprotocol.org/standard/ghg.pdf</a></p>
<p>1. Boundary Determinations in terms of ownership vs. management control and definitions of management control, legal ownership and equity share</p>	<p>The basic unit of participation is an entity in its entirety, such as a corporation or other legally constituted body, any city or county, and each state government agency. The registry shall not record emissions baselines and reductions for individual facilities or projects, except to the extent they are included in an entity's emissions reporting. [Sec. 11. (d), p. 15]</p> <p>Notes: "Management control", "legal ownership", and "equity share" are not defined by SB 527.</p>	<p>The program is a registry of claims of emission reductions, rather than an indication of legal ownership. The program database contains several instances where more than one party has claimed the same emission reduction. Thus the EIA can provide no assurance that an entity wishing to transfer or acquire the rights to reductions reported under the program actually "owns" the reductions that are being transferred. <sup>7</sup>[p.1] For project-level reporting, you can report emissions, emission reductions, or sequestration achieved after the baseline period as a result of one or more individual activities. Participants are encouraged to aggregate similar actions with similar effects into a single project. The project boundary should encompass all the significant and quantifiable effects of the project. For entity-level reporting you can report emissions, emission reductions, and increases in sequestration for your entire entity achieved after the baseline period (1987 through 1990) on an annual basis through any measure. <sup>6</sup>[p.3,5]</p>	<p>Boundary determinations can be based on management control and equity share: Boundaries based on management control are to report 100% of their emissions for controlled entities, and equity share for jointly controlled entities. Boundary based on equity share, are pro rated based on the equity share of controlled and significant influence entities, zero emissions are reported otherwise. Management Control: the ability of a company to direct the operating policies of another entity/facility. If the company owns more than 50 percent of voting interests, this implies control. Significant influence: a company exerts significant influence if the company owns voting interests of between 20 and 50 percent. Equity share is defined as the percentage of economic interest in/benefit derived from an operation. [Ch. 3, p.15]</p> <p>Notes: "legal ownership" is not defined in WBCSD protocol.</p>

**Table A1. GHG Reporting, in California, U.S., and International Programs (continued)**

Protocol Elements	SB 527 Legislation	DOE 1605b	WRI/ WBCSD Protocol
2. Boundary determinations with equity changes over time with mergers, acquisitions and divestitures and vertical integration.	<p>[Sec. 11. (d) (5), p. 15]</p> <p>To prevent changes in vertical integration within corporations from leading to apparent emissions reductions when in fact no reductions have occurred, the registry must treat mergers, acquisitions, and divestitures as follows:</p> <p>(A) The emissions baselines of any merged or acquired entity shall be added together, and the registry will treat the resulting entity as if it had been one corporation.</p> <p>(B) In divestitures, the emissions baselines of the affected corporations will be split. If the divested corporation is purchased by another firm, the registry will treat that purchase as a merger with the purchasing corporation. If the divested corporation remains a separate entity after the divestiture, its registry baseline shall reflect the emissions associated with the entity's operation before divestiture among the divesting and the divested entities, and the registry shall adjust their baselines accordingly.</p> <p>Any adjustments for changes in vertical integration shall be verified in the annual emissions certifications.</p>	<p>In this program three types of transactions are described for project-level and entity-level reporting:</p> <ol style="list-style-type: none"> <li>1. Transfer from another party to a reporting party of a claimed reduction ("a purchase")</li> <li>2. Transfer of a claimed reduction by a reporting party to another party ("a sale").</li> <li>3. Reporting party's refrain from exercising any rights or privileges that may be associated with a report of emissions reductions ("a retirement")</li> </ol> <p>Project reduction acquisitions "a purchase": A new project is created for recording the new ownership of a project reduction and record the source that they acquired.</p> <p>Project reduction transfers "a sale": A "sale" of a reduction should be recorded as a negative number. The transferring party should continue to record the full amount of the project reductions. The negative number acts as an offset to the reported reduction. When all reductions associated with a project are summed, the total number of tonnes reported by the selling company will be reduced by the amount transferred.</p> <p>Project retirement reductions: A retirement is similar to a transfer to "nobody" and recorded as a negative number. The retiring party should continue to record the full amount of the project reductions. The negative number acts as an offset to the reported reduction. When all reductions associated with a project are summed, the total number of tonnes reported by the selling company will be reduced by the amount transferred.</p> <p><sup>5</sup>[p. 1-4]</p>	<p>Boundary determinations with equity changes over time are adjusted. [Ch. 3, p. 15]</p> <p>Changes over time are also reflected in the base year adjustment policy, with the basis for making any adjustments and any 'significant threshold' applied clearly articulated by the participant.</p> <p>The following rules should be observed for base year emissions adjustments:</p> <ul style="list-style-type: none"> <li>• The base year emissions should be adjusted if significant structural changes occur in the organization. Significant structural change depends on the size of the organization. Examples include mergers, major acquisitions, and divestitures.</li> <li>• The base year emissions should be adjusted to account for the transfer of ownership/control.</li> <li>• The base year emissions should not be adjusted for organic growth or decline.</li> <li>• The base year emissions should not be adjusted for any changes in outsourcing/insourcing activities if the company is reporting its indirect emissions from such activities under scopes 2 or 3.</li> <li>• If significant structural changes occur during the middle of a year, the base year emissions should be adjusted on a pro-rata basis. [Ch. 6, p. 31]</li> </ul>



**Table A1. GHG Reporting, in California, U.S., and International Programs (continued)**

Protocol Elements	SB 527 Legislation	DOE 1605b	WRI/ WBCSD Protocol
3. Reporting emissions from joint ownership, subsidiaries	<p>In cases of joint ownership, emissions are reported by the managing entity, unless the owners decide to report emission on a pro rata basis. [Sec. 11. (b) (3), p. 14]</p> <p>Participants may report emissions baselines and annual emission results from subsidiaries if the parent corporation is clearly defined. [Sec. 11. (d) (1), p. 15]</p> <p>Notes: "Pro rata basis" is not defined in SB 527.</p>	<p>Joint Ownership of emission sources – If an emissions source is only partially owned by your entity, the emissions from the source should be allocated to the direct and indirect categories based on your entity's ownership share. For example, if your entity owns ten percent of the source, then ten percent of the emissions from the source should be allocated to the direct category, and the remaining 90 percent should be treated as indirect emissions. Allocation of emission between direct and indirect should always be based on ownership unless the owners have agreed to divide the greenhouse gas emissions among themselves according to some other scheme. Such agreements take precedence for the purposes of allocating emissions between the direct and indirect categories. <sup>6</sup>[p. 4,5]</p> <p>Under the 1605b program a participant may report on an emission reduction or carbon sequestration project undertaken in association with others, provided that the other potential reporters are identified. Agreements can be made with other parties to report all or part of the emission reductions or sequestration achieved. <sup>6</sup>[p. 3]</p>	<p>Reporting of emissions for entities involving joint ownership would be based on equity share for controlled and significant influence entities, and zero otherwise. [Ch. 3, p. 15]</p> <p>GHG emissions from entities/facilities that are not under significant influence or control (e.g. the company owns less than 20% of the voting interests) are generally not reported. This is consistent with financial accounting standards where a company would only recognize revenue if dividends were paid or a loss. [Ch. 3, p. 15]</p> <p>Notes: No specific discussion of subsidiaries regarding reporting, but assumed that it follows same reporting criteria as ownership and management control schemes and that boundaries based on subsidiary status are clearly defined in the reporting of emissions. [Ch. 10, p.50, #2]</p>
4. Determine the level of reporting detail whether at source, project or facility level.	<p>The basic unit of participation is an entity in its entirety, such as a corporation or other legally constituted body, any city or county, and each state government agency. The registry shall not record emissions baselines and reductions for individual facilities or projects, except to the extent they are included in an entity's emissions reporting. [Sec. 11. (d), p. 15]</p> <p>Participants shall not be required to report emissions of any greenhouse gas that is de minimis in quantity, when summed up across all applicable sources of the participating entity. [Sec. 11. (b) (4), p. 14]</p>	<p>For this voluntary reporting scheme, reporting can occur at two levels:</p> <ol style="list-style-type: none"> <li>1. When reporting at the entity level, a participant should provide a comprehensive estimate of the emissions, emissions reductions, and increases in sequestration that occur as a result of entity's activities.</li> <li>2. When reporting at the project level, the participant should report only emissions, reductions, and sequestration associated with the project.</li> </ol> <p>In general the participant is not expected to collect extensive new data. Use of standard coefficients to convert fuel consumption and energy consumption to emissions are encouraged. <sup>6</sup>[p. 4]</p>	<p>The level of reporting detail depends on the characteristics of the company, the intended purpose of the GHG information, and the needs of the users. When choosing such boundaries, the protocol recommends considering the following dimensions:</p> <ol style="list-style-type: none"> <li>1. organizational structures: operating licenses, ownership, legal agreements, joint ventures, etc.</li> <li>2. the business context: nature of activities, geographic locations, industry sector(s), purpose of information, users of information</li> <li>3. specific exclusions or inclusions and their validity and transparency</li> </ol> <p>The boundaries should represent the substance and economic reality of the business, and not merely its legal form. [Ch. 1,p. 8]</p>

**Table A1. GHG Reporting, in California, U.S., and International Programs (continued)**

Protocol Elements	SB 527 Legislation	DOE 1605b	WRI/ WBCSD Protocol
5. Determine additional information necessary and level of detail such as geographical distribution; CA, US, worldwide	<p>In addition to the chemical or physical identity of the pollutants included, the inventory must also include the following:</p> <p>(A) The geographical area covered.            (B) The institutional entities covered.            (C) The time period over which emissions are estimated.            (D) The types of activities that cause emissions. [Sec. 5. (f) (1), p. 9]</p> <p>The emissions inventory will also include sufficient documentation and supporting data to make transparent the underlying assumptions and calculations for all of the reported results [Sec. 5. (f) (2), p. 9]</p> <p>Participants are encouraged to report all of their GHG in the US. The registry will review in three years possibility of mandatory reporting. [Sec. 11. (d) (3), p. 15]</p>	<p>Additional information for reporting:</p> <p>A. Entity identification (for both project and entity – level reporting) <sup>6</sup>[p. 11]:</p> <p>B. For project-level reporting:            Part I. General project information.            Part II. Specific Project Information.            Part III. Greenhouse gas Emissions and Reductions: Emissions, emission reductions and sequestration of direct and indirect emissions, the gas, unit of measure, quantity, accuracy, and future reduction estimates.            Part IV. Project evaluation: Reference case, reports to other agencies, multiple reporting of same project, estimation methods. <sup>6</sup>[p. 13-34]</p> <p>C. For entity-level reporting:            Part I Direct emissions and reductions in direct emissions.            Part II Indirect emissions and reduction in indirect emissions for power transactions.            Part III. Sinks and sequestration..            Part IV. Total Emissions and reductions.            Part V. Additional information: estimation methods used, scope of entity level reporting, any supplemental information: e.g. year-to-year changes in emissions and reductions due to weather, production levels, outsourcing, closing of plants, and changes in O&amp;M procedures. <sup>6</sup>[p. 35-39]</p> <p>D. Commitments to reduce GHGs:            Part I. Entity commitments.            Part II. Financial commitments.            Part III. Projects to reduce GHGs. <sup>6</sup>[p. 41-43]</p> <p>The general geographical boundary for reporting is within the US. Achievements from foreign activities outside the US, its territories and trusts are considered foreign activities and should be reported separately from domestic activities. <sup>6</sup>[p. 3]</p>	<ul style="list-style-type: none"> <li>• outline of the organization/reporting boundaries, the reporting period covered, justify exclusions.</li> <li>• report control &amp; equity share-based approaches</li> <li>• report emissions data separately for each scope</li> <li>• report emissions data for all six Kyoto Protocol GHGs in metric tonnes and metric tonnes CO2-e</li> <li>• illustrate performance over time</li> <li>• describe calculation methodologies used to calculate emissions, or reference to the tools used.</li> <li>• provide context for significant emissions changes, e.g. extended process shut downs, acquisitions/divestitures, process changes, or changes in calculation methodologies</li> <li>• report any emissions reduction credits that are banked, purchased from, or sold to a third party.</li> <li>• report emissions sequestered</li> <li>• report emissions attributable to the generation of exported electricity and steam (by a non-electric utility)</li> <li>• provide a contact person</li> </ul> <p>The following are optional:</p> <ul style="list-style-type: none"> <li>• subdivide emissions for transparency</li> <li>• report ratio performance indicators</li> <li>• illustrate performance against internal and external benchmarks</li> <li>• outline any GHG management/reduction programs outside the reporting boundaries.</li> <li>• report emissions of GHGs not covered by Kyoto</li> <li>• outline external assurance of emissions data [Ch. 9, p. 45]</li> </ul>

**Table A1. GHG Reporting, in California, U.S., and International Programs (continued)**

Protocol Elements	SB 527 Legislation	DOE 1605b	WRI/ WBCSD Protocol
6. Describe the issues surrounding direct and indirect emissions	<p>Direct emissions are those emissions under management control of a participating entity. Indirect emissions are those emissions embodied in net electricity and steam imports, including offsite steam generation and district heating and cooling.</p> <p>Participants are encouraged, but are not required, to report other indirect emissions [Sec. 11. (b) (1), p. 13]</p> <p>After January 1, 2004, the registry board, in coordination with the SERCDC, may revise the scope of indirect emission source types that are required to be reported. [Sec. 11. (b) (2), p. 13]</p>	<p>In general for both project-level reporting and entity-level reporting, emissions from sources owned by the entity should be allocated to the direct and indirect categories based on the entity's ownership share. For example, if your entity owns 10 percent of the source, then 10 percent of the emissions from the source should be allocated to the direct category, and the remaining 90 percent should be treated as indirect emissions. Allocation of emission between direct and indirect should always be based on ownership unless the owners have agreed to divide the greenhouse gas emissions among themselves according to some other scheme. Such agreements take precedence for the purposes of allocating emissions between the direct and indirect categories. <sup>6</sup>[p. 4,5]</p> <p>For project-level reporting, direct and indirect emissions should be reported. Direct emissions are emissions owned (wholly or in part) or leased by the entity. Indirect emissions are emissions from sources outside the entity that are affected by the entity's activities, e.g. the emissions of an electric utility resulting from the entity's electricity consumption. <sup>6</sup>[p. 15]</p> <p>For entity-level reporting, both direct and indirect emissions are to be reported. Direct emission sources include emissions from:</p> <ul style="list-style-type: none"> <li>• Stationary combustion – this includes emissions resulting from the combustion of fuel at stationary sources owned (wholly or in part) or leased.</li> <li>• Transportation – this includes emissions resulting from the combustion of fuel by mobile sources owned (wholly or in part) or leased by the entity. (this includes emissions from non-transportation mobile equipment such as construction, mining and farm equipment.)</li> </ul> <p>Other direct sources – this includes emissions from processes such as methane emissions from coal mines, oil and natural gas systems and landfills; and nitrous oxide from adipic acid production. <sup>6</sup>[p. 35-36]</p>	<p><i>Companies should report GHG emissions from scopes 1 and 2. Companies are encouraged to report scope 3 emissions.</i></p> <p>Scope 1: Direct GHGs are emissions from sources that are owned or controlled by the reporting company. [Ch. 4, p. 21]</p> <p>Scope 2: GHG emissions from imports of electricity, heat, or steam. Emissions attributable to exported/sold electricity, heat, or steam should be reported as scope 1 emissions. [Ch. 4, p. 21]</p> <p>Scope 3: Other indirect GHG emissions that are a consequence of the activities of the reporting company, but occur from sources owned or controlled by another company, [Ch. 4, p. 21]</p>

**Table A1. GHG Reporting, in California, U.S., and International Programs (continued)**

Protocol Elements	SB 527 Legislation	DOE 1605b	WRI/ WBCSD Protocol
7. Outsourcing, subcontracting and changes to baselines	Participants that outsource production services must report emissions associated with the outsourced activity and remove these emissions from their emissions baseline. The subcontracted entity, if it voluntarily chooses to participate in the registry shall report emissions associated with the outsourced activities it has taken over. Participants will attest at least once each year that the entity has not outsourced any emissions, or that if it has, that all emissions subtracted from the entity's baseline emissions. [Sec. 11. (d) (4), p. 15]	Emissions due to outsourced activities are reported as supplemental information at the entity level. <sup>5</sup> [p. 39]	A comprehensive identification of indirect emissions sources also includes accounting for GHGs associated with 'outsourcing/contract manufacturing' or franchises, e.g. drilling operations, building construction, facilities management, printing, waste management, retail outlets, etc. [Ch. 7, p.35]  There should be no adjustment to the base year for the outsourcing of operations that came into existence after the base year was set. The same rule applies to insourcing. [Ch. 6, p.33]  The base year emissions should not be adjusted for any changes in outsourcing activities if the company is reporting its indirect emissions from such activities under scopes 2 or 3. The same rule applies to insourcing. [Ch. 6, p.31]
8. Reporting procedures for participants that choose to report greenhouse emissions on a statewide basis need to show: A) Changes in a participant's operations that result in a long-term shift from CA to other states. B) Corresponding change in the participant's baseline	If a participant changes from statewide to national reporting under this program, changes to its baseline will be treated in a similar manner as changes in vertical integration. [Sec. 11. (d) (6), p. 16]  To ensure that reported emissions accurately reflect shifts in operations to or from other states, the registry must adopt, in consultation with the CEC, at a public meeting and following at least one public workshop, reporting procedures for participants that choose to report greenhouse emissions on a statewide basis that require participants to show both of the following:  (A) Changes in a participant's operations, such as a facility startup or shutdown, that result in a significant and long-term shift of greenhouse gas emissions from California to other states or from other states to California.  (B) The corresponding change in the participant's baseline. [Sec. 11. (d) (7), p. 16]	The 1605b voluntary program is a national US reporting program. Participants are allowed to report emissions, emissions reduction and sequestration projects and entity activities outside the US. However, achievements from foreign activities outside the US, its territories and trusts are considered foreign activities and should be reported separately from domestic activities. <sup>6</sup> [p. 3]	There is no reference to changes in reporting based on location changes. Organizational boundaries, as described in item 1 above, are based on management control and equity share. Under these criteria of boundary definition, political/geographical boundaries are relevant to distinguishable organizational boundaries. In this protocol it is the discretion of the participant to determine spatially related boundaries. If the boundary of reporting changes relative to the base year boundary, then the base year is changed in accordance to new boundary. [Ch3. P. 15] & [Ch. 6, p. 31].

**Table A2. GHG Reporting Programs in Other Countries**

	<b>Specific Programs</b>		
<b>Protocol Elements</b>	<b>UK Emissions Trading Program</b> <i>Referenced Documents:</i> <sup>3</sup> Draft Framework Document for the UK Emissions Trading Scheme, Department for Environment, Food & Rural Affairs, May 2001. <a href="http://www.defra.gov.uk/environment/climatechange/trading/draft/pdf/trading.pdf">http://www.defra.gov.uk/environment/climatechange/trading/draft/pdf/trading.pdf</a>  <sup>4</sup> Guidelines for the Measurement and Reporting of Emissions in the UK Emission Trading Scheme, Department for Environment, Food & Rural Affairs, May 2001. <a href="http://www.defra.gov.uk/environment/climatechange/trading/pdf/trading-reporting.pdf">http://www.defra.gov.uk/environment/climatechange/trading/pdf/trading-reporting.pdf</a>	<b>Australia Greenhouse Challenge</b> <i>Referenced Documents:</i> Greenhouse Challenge Evaluation Report, AGO, Canberra, 1999.  <sup>1</sup> Developing a Cooperative Agreement (Large Companies), AGO, Canberra, 1999. <a href="http://www.greenhouse.gov.au/challenge/html/how-to-join/coop_agreement_lrq.pdf">http://www.greenhouse.gov.au/challenge/html/how-to-join/coop_agreement_lrq.pdf</a>  <sup>2</sup> "Progress Report" template.	<b>Canada's Climate Change Voluntary Challenge</b> <i>Referenced Documents:</i> Registration Guide 1999: Canada's Climate Change Voluntary Challenge & Registry Inc., Ottawa, Canada.  <a href="http://www.vcr-mvr.ca/downloads/pdf/complete_guide.pdf">http://www.vcr-mvr.ca/downloads/pdf/complete_guide.pdf</a>
1. Boundary Determinations in terms of ownership vs. management control and definitions of management control, legal ownership and equity share	Direct participant's boundary determination is based on management control  A Direct Participant has management control over a source when it exercises dominant influence over the emissions from a source, through having the ability to direct the financial and operating policies governing the emissions from a source. This status is generally made available through a participant's consolidated financial statements. <sup>3</sup> [Annex A.2, 44]  Examples of dominant influence: 1) by virtue of the provisions contained in its memorandum or articles; 2) through holding a majority of the voting rights in that company, and; 3) through having a right to appoint or remove the directors that hold a majority of the voting rights in that company. <sup>3</sup> [Annex A.4, 44]	Only businesses that operate in Australia can be included. In the case of joint ventures and part-owned subsidiaries, companies will need to determine and specify whether they will report only on their share or for the whole business. Some large jointly owned enterprises are encouraged to join under their own name. <sup>1</sup> [p. 2]	Not addressed

**Table A2. GHG Reporting Programs in Other Countries (continued)**

Protocol Elements	UK Emissions Trading Program	Australia Greenhouse Challenge	Canada's Climate Change Program
<p>2. Boundary determinations with equity changes over time with mergers, acquisitions and divestitures, and vertical integration.</p>	<p>A Direct Participant can acquire/divest its management control over sources outside/inside its source list through:</p> <ol style="list-style-type: none"> <li>1. a merger/de-merger</li> <li>2. acquisition/divestiture</li> <li>3. insourcing/outourcing</li> <li>4. opening a new source/closing a new source</li> </ol> <p>For all acquisitions/divestitures of sources that meet or exceed the 'Change Threshold':</p> <p>Should a Direct Participant acquire management control from another Direct Participant, it must also acquire the baseline emissions and targets for those sources. Adjustments will be made to the Source List Baseline and targets of both Direct Participants. <sup>3</sup> [Annex B.15, p. 50]</p> <p>Should a Direct Participant acquire management control over any sources from outside its Source List and not from another Direct Participant, no adjustment is required to be made to its Source List, Baseline or targets until the participant elects to enter them into the Scheme as new or late entrants. <sup>3</sup> [Annex B.16, p. 50]</p> <p>In the event of acquisition of substitute sources to meet its target, whereby a Direct Participant has divested a source in its Source List, but has retained management control over the activity, the Direct Participant can retain its original Baseline. <sup>3</sup> [Annex B.17, p. 50-51]</p> <p>Should a Direct Participant divest management control within its Source List to another Direct Participant, two options will result :</p> <ol style="list-style-type: none"> <li>a) Neither Participant adjusts its Source List, Baseline and targets. Arrangements for the transfer of allowances are made accordingly</li> <li>b) Divesting Participant must remove divested sources, adjust its original baseline and targets and inform the ETA. The acquiring participant will add sources to its source list and adjust its baseline and target.</li> </ol> <p><sup>3</sup> [Annex B.9, p.48-49]</p>	<p>Acquisitions and divestments are to be reported for the period covered by the annual report in reference to the previous annual report indicating impacts to total GHG emissions reported. <sup>2</sup>[p. 2]</p>	<p>Not addressed</p>

**Table A2. GHG Reporting Programs in Other Countries (continued)**

Protocol Elements	UK Emissions Trading Program		Canada's Climate Change Program
<p>2. Boundary determinations with equity changes over time with mergers, acquisitions and divestitures <b>(continued)</b></p>	<p>Should a Direct Participant divest management control within its Source List not to another Direct Participant, it will have to adjust its Source List, Baseline and targets. The acquiring company is not required to enter the Scheme. <sup>3</sup> [Annex B.10, p. 49-50]</p> <p>Definitions:</p> <p>Change Threshold: The threshold at which changes to company structure or operations lead to adjustments to the Source List, Baseline and targets. <sup>3</sup> [Annex C 53] The change threshold is 25,000 tCO<sub>2</sub>e or 2.5 percent of total verified baseline emissions, whichever is less. <sup>4</sup> [Section 2, 13]</p> <p>Source: the collection of one or more point sources of the same type within a site (where a 'point source' is any separately identifiable point from which greenhouse gases are emitted). Size threshold for a source: 10,000 tCO<sub>2</sub>e or 1% of the source list total (which ever is less). <sup>3</sup>[Annex C 54], <sup>3</sup>[Sec. 2.17, p. 11]</p> <p>Source List: List describing the sources being brought into the Scheme. <sup>3</sup> [Annex C, 54]</p> <p>Target: A commitment to reduce emissions by a specified amount over a specified period of time. <sup>3</sup> [Annex C, 54]</p>		

**Table A2. GHG Reporting Programs in Other Countries**

Protocol Elements	UK Emissions Trading Program	Australia Greenhouse Challenge	Canada's Climate Change Program
3. Reporting emissions from joint ownership, subsidiaries	It is not acceptable for more than one Direct Participant to claim responsibility for a single emissions source, therefore a source can only be brought into the scheme by the Direct Participant who has management control. In the case of joint ventures or ownership, a Direct Participant may be prevented from entering a particular source into the Scheme if another company has joint management control over the source and objects to its entry. In this case, the Direct Participant is allowed to exclude the source. <sup>3</sup> [Annex A.6, 44]	In the case of joint ventures and part-owned subsidiaries, companies will need to determine and specify whether they will report only on their share or for the whole business. Some large jointly owned enterprises are encouraged to join under their own name. <sup>1</sup> [p. 2]	Not addressed.
4. Determine the level of reporting detail whether at source, project or facility level.	Direct participants, which can be a single organization or group of other organizations, will enter one or more sources into the Scheme generating a source list. For each site, a source is the collection of one or more point sources of the same type, where a point source is any separately identifiable point from which greenhouse gases are emitted. <sup>3</sup> [Section 2, 9-10] Size threshold for a source: 10,000 tCO <sub>2</sub> e or 1% of the source list total (which ever is less). <sup>3</sup> [Sec. 2.17, p. 11]	Companies with operations at more than one site must report on individual sites and also provide an aggregate of the total emissions inventory.  The AGO encourages participants to identify all economically viable emission reduction activities. For each action, a cost-benefit analysis and expected emission reductions, or targets, must be included.  Targets should be simple and measurable. Companies dealing with different sites individually will benefit from setting separate goals for each site in addition to an overall expected abatement. <sup>1</sup> [p. 2]	Level of reporting is very flexible. Reporting can be classified by region, facility, and types of emission or by any other system. Intent is to allow management the ability to review GHG emissions or energy consumption when planning the development of new facilities or making revisions to existing operations. The report should be an integral part of the ongoing planning process. [p. 10]



**Table A2. GHG Reporting Programs in Other Countries (continued)**

Protocol Elements	UK Emissions Trading Program	Australia Greenhouse Challenge	Canada's Climate Change Program
<p>5. Determine additional information necessary and level of detail such as geographical distribution: CA, US, worldwide</p>	<p>The scope for reporting emissions does not extend beyond the scope of the UK national inventory. Multinational corporations wishing to compile emissions inventories for their whole organization may use the methodology, however, the emissions associated with UK-based operations must be separately identifiable.  <sup>4</sup> [Section 4, 10]</p> <p>In addition to emissions from energy use by fuel Direct Participants shall also record the following:</p> <ul style="list-style-type: none"> <li>• Identify any changes in management control to individual sources above the 'Change Threshold'.</li> <li>• Provide evidence showing divested source list items to another Direct Participant</li> <li>• Provide evidence of any contractual arrangements for maintaining a source in the Baseline in the case of divestment or acquisition</li> <li>• Provide evidence of substitute sources that are added to the Source List.</li> </ul> <p><sup>4</sup> [Section 6, 16]</p> <p>Suggested reporting elements in addition to energy use by fuel include:</p> <ul style="list-style-type: none"> <li>• Allowances bought/sold in the UK ETS,</li> <li>• Qualitative performance measures for targets,</li> <li>• Measure of output for efficiency targets.</li> </ul> <p>The UK Climate Change Program contains targets rather than whole sites or whole companies, a recommendation is made to obtain facility maps with the following information:</p> <ul style="list-style-type: none"> <li>• The boundary of the energy intensive installation(s) in relation to the boundary of the facility, for all facilities;</li> <li>• For facilities that do not occupy an entire site, the boundaries of the site and the energy intensive facility within it;</li> <li>• Location of incoming energy supplies and location of utilities meters;</li> <li>• In-situ generated sources of energy;</li> <li>• Location of meters recording exports;</li> <li>• Location of sub-meters within the facility.</li> </ul> <p><sup>4</sup> [Section 6, 16]</p>	<p>Every 12 months companies should report on their progress in a "Progress Report". The progress report contains a description of a company's progress relative to its action plan. A new emissions inventory, and a description of new actions. Actions not undertaken in previous reports should be noted with reasons given.</p> <ul style="list-style-type: none"> <li>• The plan must contain key performance indicators (KPI's), or efficiency indicators.</li> <li>• The plan also must contain a two year rolling forecast of emissions. To ensure consistent reporting of forecast savings, companies are asked to report against a reference year prior to the implementation of the company action plan.</li> <li>• The plan should contain a public profile that includes a brief description of your company and a summary of your company's action plan and its expected GHG emissions savings.</li> </ul> <p>The report should include all CO<sub>2</sub> Eq. emissions and all other GHG emissions that represent at least 5% or 50,000 tonnes (whichever is lowest) of total CO<sub>2</sub> Eq. emissions by the company.</p> <p>Regarding spatial boundaries, only businesses that operate in Australia can be included in the plan. Members are encouraged to report to the level of major sites and aggregate minor sites.</p> <p>Members are encouraged to report any international actions such as emissions trading.</p>	<p>Baseline information:</p> <ul style="list-style-type: none"> <li>• Region</li> <li>• Facility/business unit</li> <li>• Process</li> <li>• Output stream</li> <li>• Indirect/direct emissions</li> <li>• Year/month</li> <li>• Time of year (quarter or season)</li> <li>• GHG gas type</li> <li>• Emission reduction project</li> </ul> <p>[p. 10]</p> <p>From reporting form:</p> <p>Executive summary</p> <p>Organization Profile</p> <p>Senior Management support:</p> <ul style="list-style-type: none"> <li>• Signed statement of Endorsement</li> <li>• Internal Practices and Management systems</li> </ul> <p>Base Year – Methodology &amp; Quantification</p> <p>Projection – Methodology &amp; Quantification</p> <p>Target Setting – Methodology &amp; Quantification</p> <p>Measures to Achieve targets</p> <ul style="list-style-type: none"> <li>• List of key activities</li> <li>• Estimated Impact of Activities/projects</li> </ul> <p>Results achieved</p> <ul style="list-style-type: none"> <li>• Current reporting year</li> <li>• Interim years</li> <li>• Verification</li> <li>• Offsets</li> </ul> <p>Education, Training and Awareness</p>

**Table A2. GHG Reporting Programs in Other Countries (continued)**

Protocol Elements	UK Emissions Trading Program	Australia Greenhouse Challenge	Canada's Climate Change Program
<p>6. Describe the issues surrounding direct and indirect emissions</p>	<p>Direct Participants will enter sources of both direct and indirect emissions from energy usage into the Scheme. They will include indirect emission from energy used on-site but generated off-site. They will also include direct emissions from energy both generated and used on-site.  <sup>3</sup> [Section 2, p. 9]</p> <p>Any heat or electricity exported from a site will not be counted in a Direct Participant's sources.  <sup>4</sup> [Section 4, p. 11]</p> <p>Additional emissions that cannot be included in a Direct Participant's Source List:</p> <ol style="list-style-type: none"> <li>1. Emissions from facilities within a target unit covered by any other financial incentive agreement;</li> <li>2. Emissions from land and water transport ;</li> <li>3. Methane emissions from landfill sites covered by the Landfill Directive; and,</li> <li>4. Emissions from households.</li> </ol> <sup>3</sup> [Section 2, p. 9]	<p>Progress reports should include direct emissions by source and indirect emissions associated with electricity purchased by the member and organic waste sent to landfill by the member. <sup>2</sup>[p. 3]</p>	<p>"In a perfect world, every VCR Inc. report would include all GHG emission sources, both direct and indirect."</p> <p>Direct emissions are defined as those that are directly influenced by your organization's operations. This would include any on-site combustion process or fugitive emissions.</p> <p>Indirect emissions are those associated with an outside organization that supplies energy. Electricity generation is the most common, but off-site steam generation and district heating systems may also be considered indirect emissions  [p. 9]</p>

**Table A2. GHG Reporting Programs in Other Countries (continued)**

Protocol Elements	UK Emissions Trading Program	Australia Greenhouse Challenge	Canada's Climate Change Program
7. Outsourcing, subcontracting and changes to baselines	<p>The UK ETS defines a Source List that accounts for the inclusion of sources relative to outsourcing/insourcing and subcontracting. Any changes larger than the Change Threshold are reflected in the Source List, Baseline and targets of the Direct Participants in the same manner as acquisitions and divestitures (see item 2).  <sup>4</sup> [Section 4, 10]</p>	<p>Participants must report major changes in operations and the percentage change.</p> <p>Major changes include shifts in operations, interruptions and new activities.</p> <p>Major changes are referenced to the previous year's progress report.</p>	<p>The registry will accept any base year inventory (base) for registration. The base need only be documented once, however, participant must revisit base to update analysis, add facilities or alter the scope of operations. The methodology used should be included. Sources reported and not reported should be listed (e.g. reporting of sub-contracted custodians)  [p. 8-9]</p>
<p>8. Reporting procedures for participants that choose to report greenhouse emissions on a statewide basis need to show:</p> <p>A) Changes in a participant's operations that result in a long-term shift from CA to other states.</p> <p>B) Corresponding change in the participant's baseline</p>	<p>Because the Scheme boundary is limited to UK emissions, multinational corporations must differentiate all sources associated with UK-based operations as part of their Source List. A change in a participants operations that would result in a revision to the Source list would be captured by the reporting requirements and reflected in Baseline and target changes.  <sup>4</sup> [Section 4, 10]</p>		<p>Not addressed.</p>

**Table A3. Air Pollutant Reporting in Selected California Programs**

Protocol Elements	Specific Programs			
	CARB's Interchangeable Air Pollution Emission Reduction Credits <a href="http://arbis.arb.ca.gov/regact/ierc/ierc.htm">http://arbis.arb.ca.gov/regact/ierc/ierc.htm</a>	SMAQMD Emission Reduction Credits <a href="http://www.arb.ca.gov/DRDB/SAC/CURHTML/R204.HTM">http://www.arb.ca.gov/DRDB/SAC/CURHTML/R204.HTM</a>	San Diego Air Pollution Control District Rule 27 on Mobile Source Emission Reduction Credits	South Coast AQMD RECLAIM program – stationary sources <a href="http://www.aqmd.gov/rules/rulesreg.html">http://www.aqmd.gov/rules/rulesreg.html</a> (rules XX: 2000-2020)
1. Boundary Determinations in terms of ownership vs. management control and definitions of management control, legal ownership and equity share	<p>The regulation establishes a statewide methodology for use by individual air districts when calculating the value of emissions reduction credits.</p> <p>Districts, in consultation with the Air Resources Board, shall adopt enforceable technical protocols that define how emission reductions will be calculated for purposes of certifying them as interchangeable credits. [91506.(c)]</p>	<p>Emission Reduction Credits (Rule 204-206) do not define boundary determinations but do address some of the boundary issues. The Emission Reduction Credits are obtained for mobile or stationary sources.</p> <p>In order to obtain reduction credits for mobile sources, the rule refers to Compliance Plans that include monthly recording and auditing but does not state who is responsible for completing the plans and who owns the credit. (Rule 201 - 403.2).</p> <p>With respect to equity share, multiple owners of emission credits shall be separated according to agreements, filed with the District, between the owners with one emission reduction credits Certificate issues to each owner for their respective portion. (Rule 204 410.4)</p>	<p>Rule 27 does not define management control, legal ownership and equity share.</p> <p>For the vehicle retirement program, a mobile source emission reduction credit (MERC) is obtained by the operator of an accelerated vehicle retirement program. (c)(1)(i)(D)</p> <p>Rule 27 refers only to “applicants” and does not describe any boundaries. (c)(1)(ii) However, the applicant must be in possession of the current DMV registration. Therefore, normally only the owner of the vehicle may obtain a MERC. (c)(1)(ii)(G)</p> <p>The Air Pollution Control Officer may issue a MERC certificate to an applicant who does not hold title to the vehicle for which a MERC is requested only if such applicant provides written proof of the title holder's transfer of interest in the MERC to the applicant. (c)(4)(iii)</p>	<p>RECLAIM permits “facilities”. FACILITY means any source or grouping of sources or other air contaminant-emitting activities which are located on one or more contiguous properties within the Basin, and are owned or operated by the same person. Rule 2000 (c)(37)</p> <p>The entity responsible for controlling emissions and obtaining credits is the facility or its management. This may be the facility's owner but it is not required to be so.</p> <p>A non-RECLAIM facility may elect to enter the program if the owner or operator files for an Application of Entry. Rule 2001 (f)(1)(A) Once a facility is in the RECLAIM program, it may not opt out, even if its emissions drop below 4 tons per year.</p>

**Table A3. Air Pollutant Reporting in Selected California Programs (continued)**

<b>Protocol Elements</b>	<b>CARB's Emission Credits</b>	<b>SMAQMD Emission Credits</b>	<b>Rule 27</b>	<b>RECLAIM program</b>
2. Boundary determinations with equity changes over time with mergers, acquisitions and divestitures, and vertical integration	The regulation does not address these boundary determinations.	The rules do not address these issues.	If ownership of a motor vehicle for which a MERC was previously granted is transferred, a copy of the written conveyance describing the transaction must be filed with the District. (c)(5)(iii)	<p>The RECLAIM facility listings are amended if there is a change in a facility name. Rule 2001 (c)(1)(B)</p> <p>Also, if a non-RECLAIM facility generates more than four tons of NOx or SOx in a year, the facility listings are amended to add the facility. Rule 2001 (c)(1)(D)</p> <p>If a facility grows due to acquisitions, its baseline is not augmented. Either the facility being added must have credits available or the acquiring facility must purchase credits or offset emissions.</p> <p>In the case of a divestiture, the credits can either be sold with the facility or kept by the original owner.</p>
3. Reporting emissions from joint ownership, subsidiaries	The regulation does not address reporting requirements from joint ownership or subsidiaries.	The rules do not address joint ownership or subsidiaries except for the joint equity distribution mentioned above.	Rule 27 does not address joint ownership or subsidiaries.	The manner in which a facility deals with partial equity is up to the companies involved. RECLAIM only requires that there be a registered entity that is authorized to make trades.

**Table A3. Air Pollutant Reporting in Selected California Programs (continued)**

Protocol Elements	CARB's Emission Credits	SMAQMD Emission Credits	Rule 27	RECLAIM program
4. Determine the level of reporting detail whether at source, project or facility level.	The regulation does not specify at which level emissions are reported.	<p>Reporting of emissions is done at the equipment level. Every piece of equipment that is not exempt must be permitted, according to Rule 201.</p> <p>Under Rule 206, mobile source emissions are reported at the fleet level.</p>	Emissions are reported at the owner level but for each vehicle. The owner may obtain a MERC for each vehicle whose emissions are being reduced by scrappage, replacement, or retrofit. This is true in sections (ii), and (iii), and (iv).	<p>The prospective Facility Permit holder shall identify each source of RECLAIM pollutants located at the facility, and shall submit equipment descriptions and operating parameters for such sources if required by the Executive Officer. Rule 2006 (b)(2)</p> <p>Facilities are subject to RECLAIM if their emission fee for any year since 1990 shows emissions of more than four tons of NOx or SOx. However, this excludes any NOx or SOx process unit which is rental equipment with a valid District Permit to Operate issued to a party other than the facility. Rule 2001 (b)(1)(B).</p> <p>A third party may be hired to assess the emissions sources at the facility level.</p>
5. Determine additional information necessary and level of detail such as geographical distribution. CA, US, worldwide	<p>Districts shall provide procedures that include in the reporting:</p> <ul style="list-style-type: none"> <li>• emissions rate</li> <li>• operation period</li> <li>• activity level</li> <li>• technical uncertainty for each pollutant</li> </ul>	The rules are concerned only with emissions in the Sacramento Air Basin. For mobile source emission reductions attributable to new vehicles, mileage projections for lower emitting vehicles and plans including monthly records of mileage inside and outside the air basin are required. (Rule 206 403.1-.2)	For fleet vehicles in section (iv), applicants must show that they are reducing emissions that would have occurred in San Diego County. This may require a log of odometer readings sufficient to demonstrate mileage traveled inside and outside the County. (c)(1)(iv)(D)(8)	RECLAIM is only concerned with emissions in the South Coast Air District. As a result, only facilities emitting in the Air District participate in the program.

**Table A3. Air Pollutant Reporting in Selected California Programs (continued)**

<b>Protocol Elements</b>	<b>CARB's Emission Credits</b>	<b>SMAQMD Emission Credits</b>	<b>Rule 27</b>	<b>RECLAIM program</b>
6. Describe the issues surrounding direct and indirect emissions	The regulation does not address direct versus indirect emissions.	The rules only address direct emissions.	Rule 27 only addresses direct emissions from motor vehicles	RECLAIM covers only direct emissions from facilities in the Air District – e.g. electricity emissions are counted under the generating facilities, not the facilities using electricity. Rule 2001 (i)(1)(D)
7. Outsourcing, subcontracting and changes to baselines	The regulation does not address outsourcing or subcontracting. The Districts' calculation protocols must include: Procedures to incorporate emissions inventory updates and changes in source category baselines. 91507. (b)(4)	The rules do not address outsourcing or subcontracting.	Rule 27 does not address outsourcing or subcontracting.  Baseline emissions are defined as annual emissions generated within the District from a mobile source prior to its use in a MERC Program.	Outsourcing and subcontracting effectively reduces a facility's emissions under RECLAIM since its inventory only includes emissions from the facility itself.
8. Reporting procedures for participants that choose to report greenhouse emissions on a statewide basis that require participants to show both of the following: A) Changes in a participant's operations B) Corresponding change in the participant's baseline	The regulation does not address changes in reporting based on location changes or changes in a name of a participant.	Emission reductions attributable to a proposed control measure must be considered surplus emissions. Usually this means reductions in excess of any required control or already attributed to other control measures. In Rule 206, however, emission reductions may be eligible as surplus if the control measures are already identified in the State Implementation Plan but no rule has been adopted within two years from the scheduled adoption date (211.1).	There are no reporting procedures associated with changes in participants' operations or their baselines. Since MERCs are granted for reductions associated with a particular vehicle, a change in the operations of an applicant will not affect the baseline emissions for that vehicle.  Rule 27 applies only to San Diego county and counts only emissions in the county. If vehicles are imported from outside San Diego, California, or the US, to replace those retired in the program, there appears to be no emissions reductions in San Diego even though there may be if accounted for globally.	Since RECLAIM covers only emissions in the South Coast Air District, any start up of facilities in the District that produces more than four tons of NOx or SOx per year must participate in RECLAIM.  The baseline emissions remain constant regardless of changes in the structure or location within the South Coast.

## **Appendix B. Review Non-Combustion Greenhouse Gas Emissions Estimation Methodologies used in the California Statewide GHG Inventory**

This appendix presents a review of the *Inventory of California Non-Combustion Greenhouse Gas Emissions* (CEC, 2001). Senate Bill 527 requires, to the extent practicable, the methods used for Registry reporting be consistent with those used in the statewide inventory. The intent of this review is to offer guidance to the Registry in the development of emission estimation methodologies, specifically in the area of non-combustion GHG emission sources. Italics are used to represent either a direct quote or paraphrasing from the inventory. Complete references to the citations within this appendix can be found in CEC (2001), Chapter 9 – References.

### **Agricultural Residue Burning**

#### **CO<sub>2</sub> CH<sub>4</sub>, and N<sub>2</sub>O Emissions**

Statewide Methodology:

*The method used to estimate emissions from open burning of agricultural crop wastes in California was created by B.M. Jenkins and his colleagues at the University of California at Davis (Jenkins and Turn, 1994, Jenkins et al., 1992 cited in CEC, 2001). Jenkins developed parameters for six crops – almonds, walnuts, wheat, barley, corn, and rice – that account for 97 percent of agricultural biomass burned in California. Wildfires are not included. Each crop specific emission is calculated as follows:*

$$\text{Emissions} = \text{Production Area} \times \text{Residue Yield} \times \text{Burn Fraction} \times \text{Emission Factor}$$

Where:

*Production Area* is the crop production area in acres.

*Residue Yield* and *Burn Fraction* are estimation parameters.

*Emission Factor* is specific to the emission being calculated.

Data Source:

Crop production acreage data were obtained from the Crop Reports published by the California County Agricultural Commissioners (1990-2000). The parameters: burn fractions, residue yields, and CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O emission factors were obtained from Jenkins et al. (1992) and Jenkins and Turn (1994) as cited in CEC (2001). N<sub>2</sub>O emissions factors were derived from the emission factors for NO<sub>x</sub> using the ratios of NO<sub>x</sub>-N/N and N<sub>2</sub>O -N/N provided in the IPCC guidelines (Jenkins and Turn, 1994, IPCC/UNEP/OECD/IEA, 1997, cited in CEC, 2001)



Applicability:

Methodology could be successfully used on an individual company basis. The only on-site measurement that is required is the acreage of the production area for each crop, which should be readily available. Companies are encouraged to use site-specific residue yields and burn fractions and to document the source of these values.

## **Agricultural Soil Management**

### **N<sub>2</sub>O Emissions**

Statewide Methodology:

*Nitrous oxide emissions from agricultural soil management were estimated using methods found in the EIIP guidance (EIIP, 1999) and the IPCC guidelines (IPCC/UNEP/OECD/IEA, 1997) as amended by the IPCC Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories (IPCC, 2000 as cited CEC, 2001).*

*There are three types of N<sub>2</sub>O emissions from soils:*

*Type 1: Direct emissions from managed soils, where the N<sub>2</sub>O is emitted from nitrogen-related cropping practices.*

*Estimates are based on the amount of nitrogen deposited annually on managed soils in the following forms:*

- (1) commercial fertilizer application;*
- (2) manure application;*
- (3) production of nitrogen-fixing crops;*
- (4) nitrogen returned to soils; and*
- (5) cultivation of high-organic content soils.*

*Following methodologies used in the U.S. Inventory (EPA, 2001 cited in CEC, 2001), the nitrogen was calculated for each animal type:*

*Amount of Nitrogen in Manure = Animal Population (head) x Typical Animal Mass (TAM) (kg/head) x Kjeldahl nitrogen emission factor (kg N/1000 kg animal mass/day) x 365 days/year*

*Amount of Nitrogen Returned to Soils from N-fixing Crops (kg N) = Crop Production (kg) x (1 + ratio of residue mass to crop mass (kg residue/ kg crop)) x Dry Matter Fraction of Residue (kg dm/kg residue) x Fraction of Residue Applied x Nitrogen Content (kg N/kg dm)*

*Estimates of annual emissions of N<sub>2</sub>O resulting from histosol cultivation were based on the total acreage of histosols in California that are cultivated each year. These areas were multiplied by an emission factor for histosols (kg N<sub>2</sub>O-N/ha-yr) in order to estimate emissions from this source (IPCC, 2000 and EIIP, 1999 cited in CEC, 2001).*

*Type 2: Direct emissions from livestock manure deposited on pasture, range, and paddock.*

*Emissions are based on the amount of nitrogen in manure for each animal type.*

$$\text{Amount of nitrogen in Manure (kg N/year)} = \text{Animal Population (head)} \times \text{TAM (kg/head)} \\ \times \text{Kjeldahl nitrogen emission factor (kg N/1000 kg animal mass/day)} \times 365 \\ \text{(days/year)}$$

*Typical Animal Mass (TAM) data for dairy cattle, beef cattle, swine, and poultry can be obtained from the U.S. Inventory (EPA, 2001 cited in CEC, 2001). TAM data for sheep, goats, and horses, and Kjeldahl nitrogen emission factors for all livestock are from the EIIP guidelines (1999) as cited in CEC, 2001.*

*Type 3: indirect emissions where nitrogen containing compounds are released to the atmosphere or groundwater and following denitrification/nitrification are emitted as N<sub>2</sub>O.*

*Estimates from indirect N<sub>2</sub>O emissions from soils include:*

- (1) Volatilization of NH<sub>3</sub> and NO<sub>x</sub> from nitrogen deposition in fertilizer application and livestock manure;*

*Fertilizer and manure emissions were calculated by multiplying the volatilized portion of each source's total nitrogen content by an emission factor of 1 percent. This factor reflects the ratio of nitrogen emitted as N<sub>2</sub>O to total volatile nitrogen.*

- (2) Leaching and runoff of nitrogen from agricultural fields.*

*Emissions from leaching and runoff are a function of the portion of unvolatilized nitrogen from manure and fertilizers that enter groundwater. Following guidance developed by EIIP(1999) and IPCC(2000), as well as methods used in U.S. Inventory (EPA, 2001 cited in CEC, 2001), estimates of indirect emissions are based on the following assumptions: 30 percent of the unvolatilized nitrogen in fertilizer and manure enter leachate and runoff, and 2.5 percent of groundwater nitrogen is emitted as N<sub>2</sub>O.*

#### Data Source:

Fertilizer consumption data was obtained from Fertilizing Materials Tonnage Reports, published by the California Department of Food and Agriculture (CDFA, 1992 – 2000 cited in CEC, 2001) Crop production data were taken from Crop Reports, released by the California County Agricultural Commissioners (CCAC, 2001 cited in CEC, 2001). The animal population data sets used for the manure management emissions estimates were used to estimate N<sub>2</sub>O emissions from agricultural soils as well (EPA, 2001, AHC, 1996, FAO, 2001, USDA, 2000a-g, USDA, 1999a-d, USDA, 1998a-b, USDA, 1994a-b cited in CEC, 2001). Histosol cultivation acreage was estimated based on the expert judgement of two California Sata soil scientists (Vinson, 2001, Simpson, 2001 cited in CEC, 2001). All emission factors and conversion factors can be found in the EIIP guidance (1999), IPCC guidance (2000), or the U.S. Inventory (EPA, 2001 cited in CEC, 2001).

#### Applicability:

The fundamental concept behind the methodology could be used on an individual company basis. However, the procedure needs to be more clearly defined (i.e. a step by step process) for participants to estimate their emissions.

### **Carbon Dioxide Consumption**

#### **CO<sub>2</sub> Emissions**

#### Statewide Methodology:

*Carbon dioxide emission estimates are based on the assumption that, except for enhanced oil recovery, all end-use applications release 100 percent of the CO<sub>2</sub> manufactured. State levels are estimated as a percentage of National totals.*

$\text{State CO}_2 \text{ Emissions} = \text{National CO}_2 \text{ Emissions} \times \text{State Production Capacity} / \text{National Production Capacity}.$
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#### Data Source:

National CO<sub>2</sub> emissions data were obtained from the U.S. Inventory (EPA, 2001 cited in CEC, 2001).

#### Applicability:

The methodology used to estimate statewide emissions is not applicable on an individual company basis. Emissions of CO<sub>2</sub> for individual companies are based on many attributes at the facility level. A national, or even state based average for estimating entity wide emissions would not be appropriate.

## **Cement Production**

### **CO<sub>2</sub> Emissions**

Statewide Methodology:

*Estimates of CO<sub>2</sub> emissions from cement production are based on the following equation presented in EIIP Volume VIII: Estimating Greenhouse Gas Emissions (EIIP, 1999 cited in CEC, 2001):*

$$\text{CO}_2 \text{ Emissions} = \text{Clinker Production} \times \text{CaO Content}(\%) \times 0.785 \times \text{CKD Correction Factor}$$

Where:

*Clinker Production is the mass of clinker produced;*

*CaO Content(%) is the percent of lime content of the clinker, default is 65%.*

*0.785 = CO<sub>2</sub>/CaO stoichiometric ratio.*

*The Cement Kiln Dust (CKD) is largely a mix of calcinated and uncalcinated raw materials and clinker, and accounts for the portion of materials that does not become part of the clinker, and is lost to the system. IPCC recommends that CKD CO<sub>2</sub> emissions should be estimated as 2 percent of the CO<sub>2</sub> emissions from clinker production (IPCC, 2000 cited in CEC, 2001). Hence, the CKD correction factor is 1.02.*

Data Source:

Lime content of clinker and the CKD correction factor were obtained from the IPCC Good Practice Guidance (IPCC, 2000 cited in CEC, 2001).

Applicability:

Methodology could be successfully used on an individual company basis since the only on-site measurement that needs to be made is the mass of clinker produced, which should be readily available.

## **Coal Mining**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*Emissions are composed of data from surface mines as well as from post-mining operations. Estimated with EIIP guidance (EIIP, 1999 cited CEC, 2001)*

*Emissions from surface mines (ft<sup>3</sup> CH<sub>4</sub>) = Surface Coal Production (short tons) x 6.4 (ft<sup>3</sup> CH<sub>4</sub>/short tons)*

*Emissions from post-mining operations (ft<sup>3</sup> CH<sub>4</sub>) = Surface Coal Production (short tons) x 1.04 (ft<sup>3</sup> CH<sub>4</sub>/short ton)*

*Total Emissions = Emissions from surface mines (ft<sup>3</sup> CH<sub>4</sub>) + Emissions from post-mining operations (ft<sup>3</sup> CH<sub>4</sub>)*

**Data Source:**

Data on coal production obtained from the Coal Industry Annual, Department of Energy (1990-1999). This data was confirmed with the California Division of Mines and Tunneling (2001) and the California Department of Mines and Geology (2001) as cited in CEC (2001).

The Emission factors for surface mining operations were taken from the EIIP guidance and U.S. Inventory (EIIP, 1999, EPA, 2001 as cited CEC, 2001). Both emissions factors were not California specific, but rather a factor used for a large amount of states without significant sources of mining. The quantity 6.4 ft<sup>3</sup>/short ton is a basin-specific methane emission factor which accounts for methane liberated from the coal itself and from surrounding strata. The quantity 1.04 (ft<sup>3</sup> CH<sub>4</sub>/short ton) is a basin-specific post-mining methane emission factor used for California.

**Applicability:**

Methodology could be successfully used on an individual company basis. Data required should be readily available because the only on-site measurement required is the mass of surface coal production. This methodology does not include underground mines as none were present in California from 1990 to 1999. Underground mines generate the largest amount of emissions as compared to surface mines. Therefore, if underground mines are identified, a methodology to capture their applicable emissions should be included.

**Electric Utilities**

**SF<sub>6</sub> Emissions**

**Statewide Methodology:**

*Since state-level SF<sub>6</sub> data are not available, state guidance provided in the EIIP guidance recommends that SF<sub>6</sub> emissions be estimated using a percent total of the national emissions level.*

$$\text{State SF}_6 \text{ Emissions} = \text{National SF}_6 \text{ Emissions} \times \text{State Electricity Consumption} / \text{National Electricity Consumption}.$$

Data Source: National SF<sub>6</sub> emissions estimates were obtained from the US inventory (EPA, 2001 cited in CEC, 2001).

Applicability:

The methodology used to estimate statewide emissions is not applicable on an individual company basis. Emissions of SF<sub>6</sub> for individual companies are based on processes present at the facility level. A national, or even state based average for estimating entity wide emissions would not be appropriate.

## **Enteric Fermentation**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*Due to the large population, large size, and particular digestive characteristics of cattle, they account for the majority of CH<sub>4</sub> emissions from livestock. Additionally, cattle production systems are better characterized in comparison with other livestock management systems. As a result, a more detailed methodology, i.e., Intergovernmental Panel on Climate Change (IPCC) Tier 2 as cited in CEC (2001), was used for estimating emissions from cattle. While emissions for sheep, goats, swine, and horses were handled using the simpler IPCC Tier 1 approach.*

*The methodology for estimating emissions from enteric fermentation is based on the methodology utilized in the Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-1999 (EPA, 2001 cited in CEC, 2001), where it is described in four steps:*

- 1. Characterize the Cattle Population*
- 2. Characterize the Cattle Nutrition*
- 3. Determine Cattle Emissions*
- 4. Determine Other Livestock Emissions*

*Step 1 – Characterize the Cattle Population:*

*Each stage in the cattle life cycle was modeled to simulate the cattle population from birth to slaughter. This level of detail accounts for the variability in methane emissions associated with each life stage.*

*The categories used to estimate population include:*

- calves
- dairy cows
- dairy heifer replacements
- beef cows
- beef heifer replacements
- heifer and steer stockers
- feedlot animals; and
- bulls.

*The statistics gathered for each category include birth estimates, end of year population data, feedlot placement information, and slaughter weight data. Other performance factors, such as pregnancy, lactation, average weights, and weight gain, are also tracked for each of the cattle population categories.*

#### *Step 2 – Characterize Cattle Nutrition:*

*To support development of digestible energy (DE) and methane conversion rate (Ym), data were collected on diets considered representative of different regions. DE and Ym values were estimated for each cattle population category based on physiological modeling and expert opinion. The DE and Ym values for dairy cows and most grazing animals were estimated using a model (Donovan and Baldwin, 1999 cited in CEC, 2001) that represents physiological processes in the ruminant animals. Three major categories of input required by the model are animal description (e.g., cattle type, mature weight), animal performance (e.g., initial and final weight, age at start of period), and feed characteristics (e.g., chemical composition, habitat, grain or forage).*

*For feedlot animals, DE and Ym values were taken from Johnson (1999) as cited in CEC, 2001. Values from dairy replacement heifers are based on EPA (1993) as cited in CEC, 2001. These diet characteristics are used to implement the equations described for Tier 2 in the Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories.*

#### *Step 3 – Determine Cattle Emissions:*

*In order to estimate methane emissions from cattle, the population was divided into region, age, sub-type (e.g., calves, heifer replacements, cows, etc.), and production (i.e., pregnant, lactating, etc.) groupings to more fully capture any differences in methane emissions from these animal types. Cattle diet characteristics developed under Step 2 were used to develop regional emission factors for each sub-category. Tier 2 equations from IPCC (2000) as cited in CEC (2001) were used to produce methane emission factors for the following cattle types: dairy cows, beef cows, dairy replacements, beef replacements, steer stockers, heifer stockers, steer feedlot animals, heifer feedlot animals, and steer and heifer feedlot step-up diet animals. To estimate emission from cattle populations data were multiplied by the emission factor for each cattle type (EPA, 2001 cited in CEC, 2001).*

#### *Step 4 – Determine Other Livestock Emissions:*

*Emissions estimates for other animals types, including sheep, goats, swine, and horses, were based upon average emission factors representative of entire populations of each animal type. Methane emissions from these animals accounted for a minor portion of total CH<sub>4</sub> emissions from livestock in California from 1990 through 1999.*

#### Data Source:

Data for non-equine animal populations was compiled from data collected by the California Agricultural Statistics Service (CASS) (Coe, 2001 cited in CEC, 2001) and published in National Agricultural Statistics Service (NASS) of the U.S. Department of Agriculture (USDA, 1994a-b, 1995a-b, 1996, 1997, 1998a-b, 1999a-b, 2000a-e cited in CEC, 2001). Since equine data was not available, the equine population was estimated using data for 1995 from the American Horse Council (AHC, 1996 cited in CEC, 2001) in conjunction with national population statistics available from the Food and Agriculture Organization (FAO, 2001 cited in CEC, 2001). Emission factors for bulls and other livestock were obtained from the Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories (IPCC, 2000 cited in CEC, 2001).

#### Applicability:

The fundamental concept behind the methodology could be used on an individual company basis. However, the procedure for collecting activity based data by a participant needs to be more clearly defined.

### **Human Sewage**

#### **N<sub>2</sub>O Emissions**

#### Statewide Methodology:

*Nitrous oxide emissions from sewage in wastewater were estimated using the following equation obtained from EIIP guidance (EIIP, 1999 cited in CEC, 2001):*

$$N_2O \text{ Emissions} = \text{Protein} \times \text{FRACnpr} \times \text{Population} \times \text{EF}$$

#### Where:

*Protein = Annual per capita protein consumption*

*FRACnpr = Fraction of nitrogen in protein (percent)*

*EF = Emission factor (kg N<sub>2</sub>O-N/kg sewage-N produced)*



#### Data Source:

Annual per capita protein intake data was taken from the U.S. Inventory (EPA, 2001 cited in CEC, 2001). The fraction of nitrogen in protein and the N<sub>2</sub>O emission factor was obtained from IPCC (2000) as cited in CEC, 2001.

#### Applicability:

Methodology could be successfully used, assuming minor changes, on an individual company basis. The only on-site measurement that needs to be made is the population, which should be readily available. Minor changes would have to take into account the time that is spent at work versus time spent away from work.

### Landfills

#### CH<sub>4</sub> Emissions

##### Statewide Methodology:

*As per the EIIP Volume VIII: Estimating Greenhouse Gas Emissions (EIIP, 1999 cited in CEC, 2001), emissions from landfills are estimated as the total amount of CH<sub>4</sub> produced from municipal landfills, plus the CH<sub>4</sub> produced by industrial landfills, minus the CH<sub>4</sub> recovered and combusted, minus the CH<sub>4</sub> oxidized before being released into the atmosphere.*

*The following steps are shown:*

*Step 1 – Estimate Total Waste-In-Place (WIP<sub>total</sub>) at Municipal Landfills.  
This is estimated by multiplying per capita disposal rates by the population.*

*Step 2 – Estimate Total Methane Generation. In order to estimate the generation from municipal landfills, the following information was needed: (1) the amount of WIP in small versus large landfills, and (2) rainfall.*

*Using EIIP's equations:*

*Small landfills:*

$$CH_4 \text{ (tons } CH_4/\text{yr)} = WIP_{\text{small}} \text{ (tons)} \times 0.27 \text{ (ft}^3/\text{day/ton)} \times 0.0077 \text{ (tons } CH_4\text{-day/yr-ft}^3\text{)}$$

Where:

*WIP<sub>small</sub> = WIP<sub>total</sub> x 14 percent (14 Percent is the amount of waste that was stored in a small landfill in California between 1990 and 1999.)*

*Large landfills:*

$$CH_4 \text{ (tons } CH_4/\text{yr)} = N \times [417,957 + [0.16 \times (\text{Ave } WI_{\text{Plarge}} \text{ (tons)})] \times 0.0077 \text{ (tons } CH_4\text{--day/yr-ft}^3\text{)}]$$

Where:

*N = Number of large landfills*

*Average  $WI_{\text{Plarge}} = WI_{\text{Plarge}}/N$*

*$WI_{\text{Plarge}} = WI_{\text{Ptotal}} \times 86 \text{ percent}$  (86 Percent is the amount of waste that was stored in a large landfill in California between 1990 and 1999.)*

*Industrial landfills:*

$$CH_4 \text{ (tons } CH_4/\text{yr)} = 0.07 \times CH_4 \text{ emissions from municipal landfills}$$

*Step 3 – Estimate and Adjust for Methane Recovery and Oxidation. The amount of  $CH_4$  recovered through flaring was estimated using data and methods presented in the U.S. Inventory (EPA, 2001a cited in CEC, 2001). Flare estimates were based on sales data collected from flare equipment vendors. Calculations were done state wide and not on an individual basis.*

Data Source:

EIIP guidelines (1999) as cited in CEC (2001), provided the most data and applicable estimating methodologies. The U.S. Inventory (EPA, 2001a cited in CEC, 2001) provided methane-recovering data.

Applicability:

The fundamental concept behind the methodology could be used on an individual company basis. However, the procedure needs to be more clearly defined. Specifically, determining the threshold value of a small versus a large landfill needs to be defined.

## **Lime Production**

### **CO<sub>2</sub> Emissions**

Statewide Methodology:

*CO<sub>2</sub> emissions from lime manufacturing were based on the following equation presented in the EIIP guidance (EIIP, 1999 as cited in CEC, 2001).*

$$CO_2 \text{ Emissions} = \text{Lime Production} \times 0.785$$

Where:

*Lime Production is the mass of lime produced*

*The 0.785 conversion factor is used to obtain the total metric tons of CO<sub>2</sub> emitted. It is the stoichiometric ratio of CO<sub>2</sub> /CaO.*

Data Source:

The conversion factor is the result of multiplying the quantity of lime, calcium oxide (CaO), produced by its respective CO<sub>2</sub>/CaO stoichiometric ratio. The CO<sub>2</sub>/CaO stoichiometric ratio: molecular weight of CO<sub>2</sub> (44g)/molecular weight of CaO (56g) = 0.785.

Applicability:

Methodology could be used successfully on an individual company basis. The only on-site measurement that needs to be made is the mass of lime produced, which should be readily available.

## **Limestone and Dolomite Consumption**

### **CO<sub>2</sub> Emissions**

Statewide Methodology:

*Data was unavailable and state level calculations were based as a percentage of the US total:*

$$\text{State emissions} = \text{National Emissions} \times \text{California Limestone and Dolomite Consumption} / \text{National Limestone and Dolomite Consumption}$$

*It was assumed that the ratio would be consistent with the use of limestone and dolomite for CO<sub>2</sub>-producing activities at the state level.*

Data Source:

National CO<sub>2</sub> emissions from limestone and dolomite consumption were obtained from the Inventory of U.S. Greenhouse Gas Emissions and Sinks: 1990-1999 (EPA, 2001 cited in CEC, 2001).

Applicability:

Methodology used to estimate California state emissions is not applicable on an individual company basis. This methodology determines the percentage of the national total that an entity consumes to determine the entity's emissions. Consumption values will be company specific, therefore a new methodology should be developed.

## **Manure Management**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*The main factor of CH<sub>4</sub> emissions from this source is the quantity of volatile solids produced by livestock. The equations below outline the process of calculating CH<sub>4</sub> Emissions:*

*Volatile Solids = Livestock population x TAM x ratio of volatile solids to TAM*

*Potential CH<sub>4</sub> Emissions = Volatile Solids x GCF*

*CH<sub>4</sub> Emissions = Potential CH<sub>4</sub> Emissions x MCF*

Where:

*TAM = Typical Animal Mass Factor*

*GCF = CH<sub>4</sub> Generating Capacity Factor*

*MCF = accounts for the percent of the population in each management system and the effect that each particular management system has on CH<sub>4</sub> emissions. This number is between 0 and 1, with 0 representing extensive manure management systems and 1 representing no manure management system.*

Data Source:

Data for non-equine animal populations was compiled by the California Agricultural Statistics Service (CASS) (Coe, 2001 cited in CEC, 2001) and published in reports issued by the National Agricultural Statistics Service (NASS) of the US Department of Agriculture. Where possible, data was taken from U.S. Inventory (EPA, 2001) as cited in CEC (2001). Other data was taken from the EIIP guidance (EPA, 2001, EIIP, 1999 cited in CEC, 2001).

Applicability:

Methodology could be successfully used on an individual company basis. The only on-site measurement that needs to be made is the livestock population, which should be readily available. The emissions calculation is largely based on the MCF, a detailed procedure to estimate the MCF would be required.

## **N<sub>2</sub>O Emissions**

Statewide Methodology:

*The main factor of N<sub>2</sub>O emissions is the amount of unvolatilized nitrogen in manure, either organically bound or in the form of ammonia. The steps below highlight the process on calculating the N<sub>2</sub>O emissions:*

*Kjeldahl Nitrogen = Animal Population x TAM x ratio of TAM to Kjeldahl Nitrogen*

*Unvolatilized Nitrogen = Kjeldahl Nitrogen x 0.80*

*N<sub>2</sub>O Emissions = Unvolatilized Nitrogen x EF*

Where:

*TAM = Total Animal Mass*

*0.80 = Percent of nitrogen assumed unvolatilized*

*EF = Emission factor weighted by the management systems used.*

Data Source:

Data for non-equine animal populations was compiled by the California Agricultural Statistics Service (CASS) (Coe, 2001 cited in CEC, 2001) and published in reports issued by the National Agricultural Statistics Service (NASS) of the US Department of Agriculture. Where possible, data was taken from U.S. Inventory (EPA, 2001 cited in CEC, 2001). Other data was taken from the EIIP guidance (EPA, 2001, EIIP, 1999 cited in CEC, 2001).

Applicability:

Methodology could be successfully used on an individual company basis. The only on-site measurement that needs to be made is the nitric acid production, which should be readily available

## **Municipal Wastewater**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*Methane emissions from wastewater were estimated using the following equation taken from EIIP Volume VIII, Estimating Greenhouse Gas Emissions (1999) as cited in CEC (2001):*

$$CH_4 \text{ Emissions} = \text{Population} \times D \times FTA \times EF \times 365$$

Where:

*D = Organic Load in BOD per person (Default =  $6 \times 10^{-8}$  Gg BOD/person/day)*

*FTA = Fraction of BOD that degrades anaerobically (Default = 15 percent)*

*EF = Emission Factor (Default = 0.6 Gg CH<sub>4</sub>/Gg BOD)*

*365 = To convert values to annual emissions*

Data Sources:

Organic load and CH<sub>4</sub> emission factors are based on the IPCC guideline defaults (2000) as cited in CEC (2001), while the fraction of biological oxygen demand (BOD) treated anaerobically is taken from the EIIP guidance (1999) as cited in CEC (2001).

Applicability:

Methodology could be successfully used, assuming minor changes, on an individual company basis since the only on-site measurement that needs to be made is the population, which should be readily available. Minor changes would have to take into account time spent at work and the applicable organic load in BOD per person.

## **Natural Gas Systems**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*The natural gas system is characterized by four major stages: field production, processing, transmission and storage, and distribution. Methane emissions from the natural gas system were estimated using methodology described in the EIIP guidance (EIIP, 1999).*

$$CH_4 \text{ Emissions} = \text{Sum of (Activity Data} \times EF) \text{ for each of the four major stages}$$

Where:

*Activity Data* = Statistics on gas production, number of wells, miles of various pipe, and other statistics that characterize the Californian natural gas system infrastructure and operations; and

*EF* = Emission Factor (metric tons  $CH_4$ /unit)

Data Source:

The activity data compiled for each of the four major stages includes [all as cited in CEC (2001)]:

Number of associates/non-associated wells (CDC, 2001a);

Number of offshore platforms (CDC, 2001a);

Miles of gathering, transmission, distribution and services pipeline (DOT, 2001);

Number of processing facilities (O&J, 1997-2001);

Number of transmission facilities (EIA, 2001); and

Number of storage fields (CDC, 2001b);.

The emissions factors (EFs) were compiled from EIIP (1999) as cited in CEC (2001).

Applicability:

The fundamental concept behind the methodology could be used on an individual company basis. However, procedures to determine quantities of relevant activity data need to be more clearly defined.

## **Nitric Acid Production**

### **$N_2O$ Emissions**

Statewide Methodology:

*Nitrous oxide emissions from nitric acid production were estimated using the following equation taken from the EIIP guidance (EIIP, 1999 cited in CEC, 2001):*

$$N_2O \text{ Emissions} = \text{Nitric Acid Production} \times EF$$

Where:

*EF = N<sub>2</sub>O Emission Factor (Default = 0.008 tons N<sub>2</sub>O/ton Nitric Acid Produced)*

Data Source:

The N<sub>2</sub>O Emissions factor (EF) was based on the IPCC guidelines (IPCC, 2000 cited CEC, 2001)

Applicability:

Methodology could be successfully used on an individual company basis since the only on-site measurement that needs to be made is the nitric acid production, which should be readily available.

## **Petroleum Systems**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*Methane emissions from the petroleum system were estimated using methodology described in the EIIP guidance (EIIP, 1999 cited in CEC, 2001):*

$$CH_4 \text{ Emissions} = \text{Sum}(\text{Activity Data} \times EF) \text{ for Field Production} + \text{Sum}(\text{Activity Data} \times EF) \text{ for Transportation} + \text{Sum}(\text{Activity Data} \times EF) \text{ for Refining}$$

Where:

*Activity Data = Statistics on oil production, amount of venting/flaring, quantity of oil tankered, and the quantity of oil refined.*

*EF = Emission factor (lbs. CH<sub>4</sub>/MMBtu)*

Data Sources:

Activity data for field production includes: total oil production (CDC, 2001 cited in CEC, 2001) and the total vented and flared emissions (EIA, 2001 cited in CEC2001).

Transportation activity data was obtained from the California Energy Commission, 1995 Fuels Report (Commission, 1995 cited in CEC, 2001). The total oil refined in California was obtained from the Commission, Monthly California Refining Industry Operating Report (Commission, 1997-2000, Commission, 2001, cited in CEC, 2001)



Applicability:

The fundamental concept behind the methodology could be used on an individual company basis. However, procedures to determine activity data need to be more clearly defined.

## **Rice Cultivation**

### **CH<sub>4</sub> Emissions**

Statewide Methodology:

*Methane emissions from rice cultivation are estimated using the method outlined in the IPCC guidelines:*

$$CH_4 \text{ Emissions} = \text{Harvested rice area (hectares)} \times \text{specific seasonal emission factor (kg } CH_4/\text{ha-season)}$$

Where:

*California's specific seasonal emission factor is 122 kg CH<sub>4</sub>/ha-season.*

Data Source:

The California-specific seasonal emission factor was derived from published results of field measurements of CH<sub>4</sub> emissions from California rice fields (Cicerone et al., 1992, Bossio et al., 1999, Fitzgerald et al., 2000, and Redeker et al., 2000, cited in CEC, 2001)

Applicability:

Methodology could be successfully used on an individual company basis since the only on-site measurement that needs to be made is the harvested rice area, which should be readily available.

## **Semiconductor Manufacturing**

### **HFC-23, CF<sub>4</sub>, C<sub>2</sub>F<sub>6</sub>, and SF<sub>6</sub>**

Statewide Methodology:

The EIIP guidelines (EIIP, 1999) did not provide a method for estimating emissions from this source, therefore state-level estimates were taken as a percentage of the national emissions.

$$\text{California semiconductor manufacturing emissions} = \text{U.S. semiconductor manufacturing emissions} \times (\text{California population} / \text{National population})$$

Data Source:

The primary data source used was the US Inventory (EPA, 2001) which gave national emissions estimates.

Applicability:

Methodology used to estimate California statewide emissions is not applicable on an individual company basis. This methodology uses the population of an entity to determine its emissions. This is not applicable since emissions depend on many attributes of the entity including the type and size of operating equipment. Therefore, a more company specific methodology should be developed.

## **Soda Ash Production and Consumption**

### **CO<sub>2</sub> Emissions**

Statewide Methodology:

*Estimates of CO<sub>2</sub> emissions from soda ash consumption were based on the following equation presented in the EIIP guidance (EIIP, 1999 cited in CEC, 2001):*

$$\text{CO}_2 \text{ Emissions} = \text{Soda Ash Consumption} \times \text{EF}$$

Where:

*EF = CO<sub>2</sub> Emission Factor (0.415 tons CO<sub>2</sub>/tons soda ash)*

Data Source:

National soda ash consumption data were obtained from U.S. Geological Surveys, Mineral Yearbooks: Soda Ash Annual Report, (USGS, 1994 – 2000 cited in CEC, 2001). National and California payroll data for the glass and soap manufacturing industries were obtained from U.S. Census Bureau, Annual Survey of Manufacturers (U.S. CB, 1996 cited in CEC, 2001). The soda ash consumption emission factor (EF) was taken from the EIIP guidelines (EIIP, 1999 cited in CEC, 2001).

Applicability:

Methodology could be successfully used on an individual company basis since the only on-site measurement that needs to be made is the mass of soda ash consumed, which should be readily available.

### **Substitution of Ozone-Depleting Substances**

#### **ODS (Ozone-Depleting Substances)**

Statewide Methodology: State totals were obtained based on a percentage of the national total:

$$\text{California ODS emissions} = \text{U.S. ODS substitute emissions} \times (\text{California population} / \text{National population})$$

Data Source:

There was one primary data source used to develop estimates of Ozone-Depleting Substances (ODS) substitute emissions. National emission estimates of ODS substitutes were obtained from the US Inventory (EPA, 2001 cited in CEC, 2001).

Applicability:

Methodology used to estimate California statewide ODS emissions is not applicable on an individual company basis. This methodology uses the population of an entity to determine its emissions. This is not applicable since emissions depend on many attributes of the entity including the type and size of operating equipment. Therefore, a more company specific methodology should be developed.

## Appendix C Industry-Specific GHG Emissions

Most GHG emissions occur as the result of the combustion activities described in Section 3.1. In addition to these sources, specific emission sources are associated with a wide variety of industrial processes. The California Climate Action Registry will be developing industry-specific guidance for reporting such GHG emissions. In this section, some of the common approaches used for estimating industrial GHG emissions are listed or sources regarding guidance on industrial emissions are presented. The intent of this material is to serve as examples for the type of information that may be incorporated in future industry-specific protocols.

### C.1 Cement Production

#### Approach

This cement-based GHG emission estimation methodology, derived from the U.S. EPA's *ClimateWise* program (EPA, 1999a), is based on the GHG Protocol Initiative's methodology for calculating CO<sub>2</sub> process emissions from cement production (WRI, 2001). Among the different methodologies available, representatives from the Portland Cement Association indicated that the ClimateWise procedure is the most prevalent and used successfully throughout the industry.

This procedure outlines the approach that an individual company should take in order to estimate CO<sub>2</sub> emission from cement production. This approach requires the following data:

- Cement production
- Clinker content of the cement
- Raw material content of the clinker

#### Step 1: Cement Production

Cement production is total amount of cement produced (tonnes) in a given time.

---

**Table C.1 Cement Production**

	Parameter	Mass (tonnes)
A	Cement Production	

#### Step 2: Production Data

Clinker to cement ratio is the clinker content of the cement in percent. Raw material ratio is the tonnes of raw material used in a tonne of clinker (tonnes of raw material/tonne of clinker). CaCO<sub>3</sub> equivalent is the lime content of the raw materials in percent.

---

**Table C.2 Production Data**

	Parameter	Value
<b>B</b>	Clinker to cement ratio (%)	
<b>C</b>	Raw material ratio	
<b>D</b>	CaCO <sub>3</sub> equivalent (%)	

### Step 3: Chemical Data

CO<sub>2</sub>/CaCO<sub>3</sub> stoichiometric ratio is the atomic weight of CO<sub>2</sub> divided by the atomic weight of CaCO<sub>3</sub>

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**Table C.3 Chemical Data**

	Parameter	Value
<b>E</b>	CO <sub>2</sub> /CaCO <sub>3</sub> stoichiometric ratio	

### Step 4: Default Data

---

**Table C.4 Default Data Values<sup>1</sup>**

Parameter	Default Value
Clinker to Cement Ratio (%) – 100% Portland output	95%
Clinker to Cement Ratio (%) – blended and/or masonry cement	75%
Tonne of Raw Material per Tonne of Clinker	1.54-1.60
CaCO <sub>3</sub> Equivalent to Raw Material Ratio (%)	78%-80%
CO <sub>2</sub> /CaCO <sub>3</sub> stoichiometric ratio <sup>2</sup>	0.44

---

<sup>1</sup>Default values were obtained from GHG Protocol (WRI, 2001) and EPA's ClimateWise Database (EPA, 1999a). <sup>2</sup>Constant value

### Step 5: Calculate Emissions

$$\text{CO}_2 \text{ Emissions} = \mathbf{A} \times \mathbf{B} \times \mathbf{C} \times \mathbf{D} \times \mathbf{E}$$

### Discussion

This cement-based approach should only be used if the facility has reliable clinker content data and its use of other raw materials. This approach does not consider performance ratios associated with variations in the production process such as blended cements, substitution of limestone by other calcium containing raw materials, or substitution of clinker by mineral products. Default values are given for reference, however, wherever possible, actual field data should be used.

## C.2 Coal Mining

### Approach

This approach was obtained from *U.S. Methane Emissions 1990 – 2020: Inventories, Projections, and Opportunities for Reductions* (EPA, 1999b).

This procedure outlines the approach that an individual company should take in order to estimate CH<sub>4</sub> emission from coal mining. The approach only considers emissions from surface mines and from post-mining operations, and should not be used to estimate GHG emissions from underground coal mines. The procedure requires the following data:

- Coal production
- Average methane in-situ content of surface-mines coals

### Step 1: Coal Production

Table C.5 Coal Production

	Parameter	Mass (tonnes)
<b>A</b>	Surface Coal Production	

### Step 2: In-Situ Methane Content

Table C.6 In-situ Methane

	Parameter	Value (m <sup>3</sup> /tonne)
<b>B</b>	Average Methane In-Situ Content of Surface Mines Coals	

### Step 3: Emission Factors

Table C.7 Emission Factors

	Parameter	Value (m <sup>3</sup> /tonne)	Default*
<b>C</b>	Surface Mining Emission Factor	= <b>B</b> x 2	0.2
<b>D</b>	Post-Mining Emission Factor	= <b>B</b> x 0.325	0.0325
* Using site-specific data gives more accurate results. The default values should only be used if site-specific data is unavailable.			

### Step 4: Emissions

CH<sub>4</sub> Emissions from Coal Mining = **A** x (**C**+**D**)

## Discussion

Default values should only be used if site-specific data is not available.

### C.3 Electric Utilities SF<sub>6</sub> Emissions

#### Approach

This approach was obtained from the “SF<sub>6</sub> Emissions Reduction Partnership for Electric Power Systems” published by the United States Environmental Protection Agency as a Memorandum of Understanding for the voluntary agreement between the USEPA and a volunteering party. Among the approaches available, the approach presented is the most widely used and accepted by the electric utilities industry.

This procedure outlines the approach that an individual company should take in order to estimate SF<sub>6</sub> emission from electric utilities. The procedure requires the following data:

- SF<sub>6</sub> gas in inventory at the beginning of the reporting year,
- SF<sub>6</sub> gas in inventory at the end of the reporting year,
- SF<sub>6</sub> gas additions to inventory (i.e., purchases),
- SF<sub>6</sub> gas subtractions from inventory (i.e., sales or returns),
- Changes in nameplate capacity.

#### Step 1: Calculate Base Inventory

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**Table C.8 Base Inventory**

	<b>Inventory</b>	<b>Amount (kgs)</b>
<b>A</b>	Beginning of year	
<b>B</b>	End of year	

## Step 2: Calculate Changes to Inventory

**Table C.9 Inventory Changes**

<b>Purchases/Acquisitions of SF<sub>6</sub></b>		
		<b>Amount (kgs)</b>
1	Purchases of SF <sub>6</sub> (including SF <sub>6</sub> provided by equipment manufacturers with or inside new equipment)	
2	SF <sub>6</sub> returned to the site after off-site recycling	
<b>C</b>	<b>Total Additions (add items 1-2)</b>	
<b>Sales/Disbursements of SF<sub>6</sub></b>		
		<b>Amount (kgs)</b>
3	Sales of SF <sub>6</sub> (to other entities, including the gas left in retired breakers)	
4	Returns of SF <sub>6</sub> to supplier	
5	SF <sub>6</sub> taken from storage and/or equipment and disposed of	
6	SF <sub>6</sub> taken from storage and/or equipment and send off-site for recycling	
<b>D</b>	<b>Total Subtractions (add items 3-6)</b>	
<i>Change to Nameplate Capacity</i>		
		<b>Amount (kgs)</b>
7	Total nameplate capacity of new equipment	
8	Total nameplate capacity of retiring equipment	
<b>E</b>	<b>Change to nameplate capacity (subtract item 8 from 7)</b>	

## Step 3: Calculate Total Annual Emissions

$$\text{Total Annual Emissions} = \mathbf{A} - \mathbf{B} + \mathbf{C} - \mathbf{D} - \mathbf{E}$$

## Discussion

Gas in inventory refers to SF<sub>6</sub> gas contained in cylinders, gas carts, and other storage containers. It does not refer to SF<sub>6</sub> gas held in operating equipment. Gas additions and gas subtractions refer to SF<sub>6</sub> gas placed in or removed from the stored inventory, respectively. Gas additions also include SF<sub>6</sub> provided by equipment manufacturers with or inside new equipment.



## C.4 Lime Production

### Approach

This approach was obtained from the GHG Protocol Initiative's methodology for calculating CO<sub>2</sub> emissions from the production of lime" (WRI, 2001).

### Step 1: Lime Production

Enter the total mass (tonnes) of each type of lime produced in the table below.

---

**Table C.10 Lime Production Data**

	<b>Lime Type</b>	<b>Mass (tonnes)</b>
<b>A</b>	High-Calcium Lime	
<b>B</b>	Hydraulic Lime	
<b>C</b>	Dolomitic Lime	

### Step 2: Default Values

---

**Table C.11 Default Values**

Stoichiometric Ratio (CO <sub>2</sub> /CaO)	
High-Calcium Lime	0.79
Hydraulic Lime	0.79
Dolomitic Lime	0.91
CaO or CaO-MgO Content (%)	
High-Calcium Lime	93%
Dolomitic Lime – Developed Countries	95%
Dolomitic Lime – Developing Countries	85%
Hydraulic Lime	75%

### Step 3a: Calculating Emissions from High-Calcium and Hydraulic Lime

CO<sub>2</sub> Emissions = **A** x Stoichiometric Ratio of CO<sub>2</sub>/CaO x CaO Content of Lime

### Step 3b: Calculating Emissions from Hydraulic Lime

CO<sub>2</sub> Emissions = **B** x Stoichiometric Ratio of CO<sub>2</sub>/CaO x CaO Content of Lime

### Step 3c: Calculating Emissions from Dolomitic Lime

$\text{CO}_2 \text{ Emissions} = C \times \text{Stoichiometric Ratio of } \text{CO}_2/\text{CaO} \times \text{CaO-MgO Content of Lime}$

#### Discussion

Default values are given as a reference and site-specific data should be used whenever possible. The calculation worksheets are available at <http://www.ghgprotocol.org>.

### C.5 Nitric Acid Systems

#### Approach

This approach was obtained from the GHG Protocol's methodology for calculating  $\text{N}_2\text{O}$  emissions from the production of nitric acid (WRI, 2001).

The following need to be determined:

1. Quantity of nitric acid produced (tonnes)
2.  $\text{N}_2\text{O}$  emissions factor (kg of  $\text{N}_2\text{O}$ /tonnes of nitric acid produced)
3.  $\text{N}_2\text{O}$  destruction factor (fraction of emissions abated by reduction technologies)
4. Abatement system utilization factor (fraction of time the abatement system was in use)

#### Step 1: Quantity of Nitric Acid Produced

---

**Table C.12 Nitric Acid Production**

	Parameter	Mass (tonnes)
A	Quantity of Nitric Acid Produced (tonnes)	

#### Step 2: $\text{N}_2\text{O}$ Emissions Factor

$\text{N}_2\text{O}$  emissions factor is the mass (in kgs) of  $\text{N}_2\text{O}$  divided by the mass (in tonnes) of nitric acid produced.

---

**Table C.13  $\text{N}_2\text{O}$  Emissions Factor**

	Parameter	Value
B	$\text{N}_2\text{O}$ emissions factor	

### Step 3: N<sub>2</sub>O Destruction Factor

N<sub>2</sub>O destruction factor is the fraction of emissions abated by reduction technologies.

---

**Table C.14 N<sub>2</sub>O Destruction Factor**

	Parameter	Value
<b>C</b>	N <sub>2</sub> O destruction factor	

### Step 4: Abatement Utilization Factor

Abatement system utilization factor is the fraction of time the abatement system was in use.

---

**Table C.15 Abatement Utilization Factor**

	Parameter	Value
<b>D</b>	Abatement system utilization factor	

### Step 5: Default Emission Factors

---

**Table C.16 N<sub>2</sub>O Default Emission Factors**

Parameter	Emission Factor (kg N <sub>2</sub> O/ tonne HNO <sub>3</sub> )
Atmospheric pressure plant	4-5
Medium pressure plant (<6 bar)	6-8
High pressure plant (>7 bar)	9
Non-selective catalytic destruction	0.8 – 0.9
Selective catalytic destruction	0
Under certain conditions, selective catalytic reduction may result in an increase of N <sub>2</sub> O emissions.	

### Step 6: Calculate N<sub>2</sub>O Emissions

$$\text{N}_2\text{O Emissions} = \mathbf{A} \times \mathbf{B} / 1000 (1 - (\mathbf{C} \times \mathbf{D}))$$

### Discussion

N<sub>2</sub>O emissions from the production of nitric acid depend on the quantity of nitric acid produced, plant design, burner conditions and on the amount of N<sub>2</sub>O destroyed in any subsequent abatement process. In the United States, many plants use non-selective catalytic reduction to reduce NO<sub>x</sub> emissions, that also results in reduced N<sub>2</sub>O emissions. The calculation worksheets are available at <http://www.ghgprotocol.org>.

## C.6 Petroleum and Natural Gas Systems

Petroleum and natural gas systems have a wide range of GHG emissions sources. Because of their similarity in operations, particularly in oil and gas production, they are often considered together. Specific emissions estimation approaches that apply to the oil and gas industry are beyond the scope of this general protocol. Participants in the oil and gas industry may consult the following sources of information to estimate their emissions:

- Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Gas Industry (API, 2001)
- GHGCalc™, a computer program developed by the Gas Technology Institute for estimating GHG emissions from gas industry operations (GTI, 1999)
- Methods for Estimating Methane Emissions from Natural Gas and Oil Systems (EPA, 1999c)

## C.7 Semiconductor Manufacture

### Approach

This approach was obtained from the GHG Protocol Initiative's methodology for calculating PFC Emissions from the production of semiconductor wafers (WRI, 2001). Among the different approaches available, the recommended approach is the most straightforward.

### Step 1: Mass Purchased

Enter total amount of each material purchased for current reporting year:

---

**Table C.17 Mass Purchased**

<b>Gas<sub>i</sub></b>	<b>PFC<sub>i</sub> (kgs)</b>
C <sub>2</sub> F <sub>6</sub>	
CF <sub>4</sub>	
CHF <sub>3</sub>	
SF <sub>6</sub>	
NF <sub>3</sub>	
C <sub>3</sub> F <sub>8</sub>	
C <sub>4</sub> F <sub>8</sub>	

### Step #2 – Fraction Abated

Enter the overall fraction (between 0 and 1) for each gas that is fed into the abatement tools.

---

**Table C.18 Fraction Abated**

<b>Gas<sub>i</sub></b>	<b>V<sub>a</sub></b>
C <sub>2</sub> F <sub>6</sub>	
CF <sub>4</sub>	
CHF <sub>3</sub>	
SF <sub>6</sub>	
NF <sub>3</sub>	
C <sub>3</sub> F <sub>8</sub>	
C <sub>4</sub> F <sub>8</sub>	

**Step 3: Default Values**

---

**Table C.19 Default Values**

<b>Process Chemical</b>	<b>C<sub>i</sub></b>	<b>a<sub>i,j</sub></b>	<b>EF<sub>i</sub> = 1 - C<sub>i</sub></b>
C <sub>2</sub> F <sub>6</sub>	0.30	90.0	0.70
CF <sub>4</sub>	0.20	90.0	0.80
CHF <sub>3</sub>	0.70	90.0	0.30
SF <sub>6</sub>	0.50	90.0	0.50
NF <sub>3</sub>	0.80	90.0	0.20
C <sub>3</sub> F <sub>8</sub>	0.60	90.0	0.40
C <sub>4</sub> F <sub>8</sub>	0.70	90.0	0.30

---

**Table C.20 By Product EF**

<b>Byproduct EF</b>	<b>B<sub>i</sub></b>
C <sub>2</sub> F <sub>6</sub> → CF <sub>4</sub>	0.10
C <sub>3</sub> F <sub>8</sub> → CF <sub>4</sub>	0.20

**Step 4: Perform Calculations**

$$\text{Emissions for PFC}_i = \text{PFC}_i * (1-h) [EF_i * (1-A_i) + B_i * (1-A_{\text{CF}_4})]$$

Where:

From Step #1

PFC<sub>i</sub> = purchases of gas<sub>i</sub> in kgs

From Step #2

$V_a$  = fraction of gas<sub>i</sub> that is fed into the abatement tools

$a_{i,j}$  = average destruction efficiency of abatement tool<sub>j</sub> for gas<sub>i</sub>

$A_i$  = fraction of PFC<sub>i</sub> destroyed by abatement =  $a_{i,j} * V_a$

$a_{CF4}$  = average destruction efficiency of abatement tool<sub>j</sub> for CF<sub>4</sub>

$A_{CF4}$  = fraction of PFC<sub>i</sub> converted to CF<sub>4</sub> and destroyed by abatement =  $a_{CF4} * V_a$

From Step #3

$h$  = fraction of gas<sub>i</sub> remaining in container (heel)

$C_i$  = average utilization factor of gas<sub>i</sub> (average for all etch and CVD processes)

$EF_i$  = average emission factor of gas<sub>i</sub> (average for all etch and CVD processes) =

$1 - C_i$

$B_i$  = mass of CF<sub>4</sub> created per unit mass of PFC<sub>i</sub> transformed

## Discussion

These guidelines have been prepared by World Semiconductor Council (WSC) and are intended to facilitate the calculation of direct PFC emissions from the production of semiconductor wafers. These calculations are derived from Tier 2 standards as reported in the “Good Practice Guidance and Uncertainty Management in National Greenhouse Gas Inventories” (IPCC, 2000). For a complete analysis, please visit <http://www.ipcc-nggip.iges.or.jp/public/gp/gpgaum.htm>. The calculation worksheets are available at <http://www.ghgprotocol.org>.

## C.8 Soda Ash Production and Consumption

### Recommended Approach

This approach was taken from the EIIP’s “Methods for Estimating Non-Energy Greenhouse Gas Emissions From Industrial Processes” (EIIP, 1999).

### Step 1: Obtain Required Data

**Table C.21 Required Data**

	Parameter	Mass (tonnes)
1	Amount of Soda Ash Consumed	

### Step 2: Estimate CO<sub>2</sub> Emissions from Soda Ash Consumption

CO<sub>2</sub> Emissions (tonnes) = Amount of Soda Ash Consumed (tonnes) x 0.415 (tonnes CO<sub>2</sub>/tonnes Soda Ash)

## **Discussion**

According to the EIIP's "Methods for Estimating Non-Energy Greenhouse Gas Emissions From Industrial Processes" (EIIP, 1999), all states consume soda ash, but only Wyoming and California each produce it using processes unique to each state. Although CO<sub>2</sub> is generated as a by-product in the typical Californian production, the CO<sub>2</sub> is recovered and recycled for use in carbonation stage and is not released. Thus, this process does not result in CO<sub>2</sub> emissions.

Also according to the EIIP's "Methods for Estimating Non-Energy Greenhouse Gas Emissions From Industrial Processes" (EIIP, 1999), glass manufacture represents about 49 percent of domestic soda ash consumption, with smaller amounts used for chemical manufacture, soap and detergents, flue gas desulfurization, and other miscellaneous uses. In each of these applications, a mole of carbon is released for every mole of soda ash used. Thus, approximately 0.113 tonnes of carbon or 0.415 tons of CO<sub>2</sub> are released for every ton of soda ash consumed.